

2016

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2016

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-815

**E. I. DU PONT DE NEMOURS AND COMPANY**

(Exact name of registrant as specified in its charter)

DELAWARE

(State or Other Jurisdiction of Incorporation or Organization)

51-0014090

(I.R.S. Employer Identification No.)

974 Centre Road

Wilmington, Delaware 19805

(Address of principal executive offices)

Registrant's telephone number, including area code: 302-774-1000

Securities registered pursuant to Section 12(b) of the Act

(Each class is registered on the New York Stock Exchange, Inc.):

Title of Each Class

Common Stock (\$.30 par value)

Preferred Stock

(without par value-cumulative)

\$4.50 Series

\$3.50 Series

No securities are registered pursuant to Section 12(g) of the Act.

Indicate by check mark whether the registrant is a well-known seasoned issuer (as defined in Rule 405 of the Securities Act).

Yes ☒ No ☐

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (\$232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of voting stock held by nonaffiliates of the registrant (excludes outstanding shares beneficially owned by directors and officers and treasury shares) as of June 30, 2016, was approximately \$56.6 billion .

As of January 31, 2017, 864,574,000 shares (excludes 87,041,000 shares of treasury stock) of the company's common stock, \$0.30 par value, were outstanding.

Documents Incorporated by Reference

(Specific pages incorporated are indicated under the applicable Item herein):

Incorporated  
By Reference  
In Part No.

The company's 2017 Annual Meeting Proxy Statement to be filed within 120 days of the company's fiscal year ended December 31, 2016.

III

**E. I. du Pont de Nemours and Company**

**Form 10-K**

**Table of Contents**

The terms "DuPont" or the "company" as used herein refer to E. I. du Pont de Nemours and Company and its consolidated subsidiaries, or to E. I. du Pont de Nemours and Company, as the context may indicate.

	<b>Page</b>
<b>PART I</b>	
Item 1. Business	2
Item 1A. Risk Factors	9
Item 1B. Unresolved Staff Comments	17
Item 2. Properties	17
Item 3. Legal Proceedings	18
<b>PART II</b>	
Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	19
Item 6. Selected Financial Data	21
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	22
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	51
Item 8. Financial Statements and Supplementary Data	52
Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	52
Item 9A. Controls and Procedures	52
Item 9B. Other Information	52
<b>PART III</b>	
Item 10. Directors, Executive Officers and Corporate Governance	53
Item 11. Executive Compensation	54
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	55
Item 13. Certain Relationships and Related Transactions, and Director Independence	56
Item 14. Principal Accountant Fees and Services	56
<b>PART IV</b>	
Item 15. Exhibits and Financial Statement Schedules	57
<b>SIGNATURES</b>	60

**Note on Incorporation by Reference**

Information pertaining to certain Items in Part III of this report is incorporated by reference to portions of the company's definitive 2016 Annual Meeting Proxy Statement to be filed within 120 days after the end of the year covered by this Annual Report on Form 10-K, pursuant to Regulation 14A (the Proxy).

## Part I

### ITEM 1. BUSINESS

DuPont was founded in 1802 and was incorporated in Delaware in 1915. Today, DuPont is helping customers find solutions to capitalize on areas of growing global demand — enabling more, safer, nutritious food; creating high-performance, cost-effective and energy efficient materials for a wide range of industries; and increasingly delivering renewably sourced bio-based materials and fuels. Total worldwide employment at December 31, 2016 was about 46,000 people. The company has operations in about 90 countries worldwide and 61 percent of consolidated net sales are made to customers outside the United States of America (U.S.). See Note 20 to the Consolidated Financial Statements for additional details on the location of the company's sales and property.

Subsidiaries and affiliates of DuPont conduct manufacturing, seed production or selling activities and some are distributors of products manufactured by the company. As a science and technology based company, DuPont competes on a variety of factors such as product quality and performance or specifications, continuity of supply, price, customer service and breadth of product line, depending on the characteristics of the particular market involved and the product or service provided. Most products are marketed primarily through the company's sales force, although in some regions, more emphasis is placed on sales through distributors. The company utilizes numerous suppliers as well as internal sources to supply a wide range of raw materials, energy, supplies, services and equipment. To ensure availability, the company maintains multiple sources for fuels and many raw materials, including hydrocarbon feedstocks. Large volume purchases are generally procured under competitively priced supply contracts.

#### **DuPont Dow Merger of Equals**

On December 11, 2015, DuPont and The Dow Chemical Company (Dow) announced entry into an Agreement and Plan of Merger (the Merger Agreement), under which the companies will combine in an all-stock merger of equals (the Merger Transaction) subject to satisfaction of customary closing conditions, including receipt of regulatory approval. Subject to the terms and conditions of the Merger Agreement, (i) Dow Merger Sub, a Delaware corporation that was formed on December 9, 2015, as a wholly owned subsidiary of DowDuPont Inc., a company jointly owned by Dow and DuPont, (DowDuPont) will be merged with and into Dow, with Dow surviving as a subsidiary of DowDuPont, (the Dow Merger), and (ii) DuPont Merger Sub, a Delaware corporation that was formed on December 9, 2015 as a wholly owned subsidiary of DowDuPont, will be merged with and into DuPont, with DuPont surviving the merger as a subsidiary of DowDuPont, (the DuPont Merger and, together with the Dow Merger, the Mergers). As a result of the Mergers, among other things, (a) DowDuPont will become the ultimate parent of Dow, DuPont and their respective subsidiaries and (b) existing Dow stockholders and DuPont stockholders will receive DowDuPont common stock, in accordance with the terms of the Merger Agreement. On July 20, 2016, stockholders of both DuPont and Dow voted to approve all stockholder proposals necessary to complete the Merger Transaction at their respective special meetings. Following the consummation of the Merger Transaction, DuPont and Dow intend to pursue, subject to the receipt of approval by the Board of Directors of DowDuPont, the separation of the combined company's agriculture business, specialty products business and material science business through a series of tax-efficient transactions (collectively, the Intended Business Separations).

Subject to the terms and conditions of the Merger Agreement, each share of common stock, par value \$0.30 per share, of DuPont (DuPont Common Stock) issued and outstanding immediately prior to the Effective Time (as defined in the Merger Agreement), excluding any shares of DuPont Common Stock that are held in treasury, will be converted into the right to receive 1.2820 shares of common stock, par value \$0.01 per share, of DowDuPont (DowDuPont Common Stock), for each share of DuPont Common Stock with cash in lieu of any fractional share of DowDuPont. Each share of DuPont Preferred Stock-\$4.50 Series and DuPont Preferred Stock-\$3.50 Series, in each case issued and outstanding immediately prior to the Effective Time, shall remain issued and outstanding and be unaffected by the merger.

Subject to the terms and conditions set forth in the Merger Agreement, at the Effective Time, each share of common stock, par value \$2.50 per share, of Dow (the Dow Common Stock) issued and outstanding immediately prior to the Effective Time, excluding any shares of Dow Common Stock that are held in treasury, will be converted into the right to receive one share of DowDuPont Common Stock. Pursuant to the terms of the Merger Agreement, each share of Cumulative Convertible Perpetual Preferred Stock, Series A, par value \$1.00 per share, of Dow (the Dow Preferred) issued and outstanding immediately prior to the Effective Time would be automatically canceled and each holder of shares of Dow Preferred would be deemed to hold the same number of shares of preferred stock of DowDuPont on equivalent terms. However, on December 30, 2016, (the Dow Preferred Conversion Date) each share of Dow Preferred was converted into 24.2010 shares of Dow Common Stock. In connection therewith, on the Dow Preferred Conversion date, Dow issued 96,804,000 shares of Dow Common Stock. As a result, it is expected that no shares of preferred stock of DowDuPont will be issued pursuant to the terms of the Merger Agreement at the Effective Time.

## Part I

### ITEM 1. BUSINESS, *continued*

DuPont and Dow continue to work constructively with regulators in key jurisdictions to obtain approval and to prepare for closing as soon as possible after closing conditions have been met. Consummation of the Merger Transaction is contingent on satisfaction of customary closing conditions, including the receipt of regulatory approval from the U.S., European Union, China, Brazil and Canada. Subject to satisfaction of customary closing conditions, including the receipt of regulatory approvals, closing would be expected to occur in first half of 2017.

See the discussion entitled Merger Risks Part I, Item 1A, Risk Factors, and Part II, Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations, and Note 2 to the Consolidated Financial Statements for further details and a discussion of some of the risks related to the transaction. Additional information about the Merger Transaction and the Merger Agreement is set forth in the definitive registration statement on Form S-4 (File No. 333-209869) (as amended, the Registration Statement) that includes a joint proxy statement of Dow and DuPont and that also constitutes a prospectus of DowDuPont and the company's Current Report on Form 8-K filed with the SEC on December 11, 2015.

#### **Spin-off of Performance Chemicals**

On July 1, 2015, DuPont completed the separation of its Performance Chemicals segment through the spin-off of all of the issued and outstanding stock of The Chemours Company (Chemours). In connection with the separation, the company and Chemours entered into a Separation Agreement and a Tax matters Agreement as well as certain ancillary agreements. In accordance with generally accepted accounting principles in the U.S. (GAAP), the financial position and results of operations of the Performance Chemicals segment are presented as discontinued operations and, as such, have been excluded from continuing operations and segment results for all periods presented. Additional details regarding the separation and other related agreements can be found in Note 3 to the Consolidated Financial Statements.

#### **Productivity and Cost Savings Initiatives**

On December 11, 2015, DuPont announced a 2016 global cost savings and restructuring plan designed to reduce \$730 million in costs in 2016 compared with 2015, which represents a reduction of operating costs on a run-rate basis of about \$1.0 billion by end of 2016. As part of the plan, the company committed to take structural actions across all businesses and staff functions globally to operate more efficiently by further consolidating businesses and aligning staff functions more closely with them. In connection with the restructuring actions, the company recorded a pre-tax charge to earnings of \$798 million in the fourth quarter 2015, comprised of \$656 million of severance and related benefit costs, \$109 million of asset related charges, and \$33 million of contract termination costs. The restructuring actions associated with the charge are substantially complete and the plan delivered the target cost reductions in 2016 versus prior year. Additional details related to this plan can be found in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, on page 24 of this report and Note 4 to the Consolidated Financial Statements.

In June 2014, DuPont announced its global, multi-year initiative to redesign its global organization and operating model to reduce costs and improve productivity and agility across all businesses and functions. DuPont commenced a restructuring plan to realign and rebalance staff function support, enhance operational efficiency, and to reduce residual costs associated with the separation of its Performance Chemicals segment. Cost reductions from the 2014 operational redesign were essentially completed during 2015 and for full year 2015, the company delivered incremental cost savings of approximately \$440 million year over year. Additional details related to this plan can be found in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, on page 24 of this report and Note 4 to the Consolidated Financial Statements.

#### **Business Segments**

The company consists of 7 businesses which are aggregated into 6 reportable segments based on similar economic characteristics, the nature of the products and production processes, end-use markets, channels of distribution and regulatory environment. The company's reportable segments are Agriculture, Electronics & Communications, Industrial Biosciences, Nutrition & Health, Performance Materials and Protection Solutions. The company includes certain businesses not included in the reportable segments, such as pre-commercial programs, nonaligned businesses and pharmaceuticals in Other. Additional information with respect to business segment results is included in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, on page 31 of this report and Note 21 to the Consolidated Financial Statements.

Effective January 1, 2016, the DuPont Packaging & Industrial Polymers business consolidated with the DuPont Performance Polymers business within the Performance Materials segment, and the DuPont Protection Technologies business consolidated with the DuPont Building Innovations business within the former Safety & Protection segment (now Protection Solutions). The consolidations were undertaken to create greater efficiency and enhanced capabilities in the two segments where these businesses operate. These changes did not result in a change in reportable segments.

## Part I

### ITEM 1. BUSINESS, *continued*

DuPont Sustainable Solutions, previously within the company's former Safety & Protection segment (now Protection Solutions), was comprised of two business units: clean technologies and consulting solutions. Effective January 1, 2016, the clean technologies business unit became part of the Industrial Biosciences segment with the focus on working with customers to improve the performance, productivity and sustainability of their products and processes. The company is exploring a range of options to maximize the growth of the consulting solutions business unit which effective January 1, 2016 is reported within Other.

#### *Agriculture*

Agriculture businesses, DuPont Pioneer (Pioneer) and DuPont Crop Protection (Crop Protection), leverage the company's technology, customer relationships and industry knowledge to improve the quantity, quality and safety of the global food supply and the global production agriculture industry. Land available for worldwide agricultural production is increasingly limited so production growth will need to be achieved principally through improving crop yields and productivity rather than through increases in planted area. The segment's businesses deliver a broad portfolio of products and services that are specifically targeted to achieve gains in crop yields and productivity, including Pioneer<sup>®</sup> brand seed products and well-established brands of insecticides, fungicides and herbicides. Research and development focuses on leveraging technology to increase grower productivity and to enhance the value of grains and oilseeds through improved seed traits, superior seed germplasm and effective use of insecticides, herbicides and fungicides. Agriculture accounted for 57 percent of the company's total research and development expense in 2016.

Sales of the company's products in this segment are affected by the seasonality of global agriculture markets and weather patterns. Sales and earnings performance in the Agriculture segment are significantly stronger in the first versus second half of the year reflecting the northern hemisphere planting season. As a result of the seasonal nature of its business, Agriculture's inventory is at its highest level at the end of the calendar year and is sold down in the first and second quarters. Trade receivables in the Agriculture segment are at a low point at year-end and increase through the northern hemisphere selling season to peak at the end of the second quarter.

Pioneer is a world leader in developing, producing and marketing hybrid corn seed and soybean seed varieties which improve the productivity and profitability of its customers. Additionally, Pioneer develops, produces and markets canola, sunflower, sorghum, wheat and rice seed, as well as silage inoculants. As the world's population grows and the middle class expands, the need for crops for animal feed, food, biofuels and industrial uses continues to increase. The business competes with other seed and plant biotechnology companies. Pioneer seed sales amounted to 27 percent of the company's total consolidated net sales for the years ended December 31, 2016, 2015 and 2014.

Pioneer's research and development focuses on integrating high yielding germplasm with value added proprietary and/or licensed native and biotechnology traits with local environment and service expertise. Pioneer uniquely develops integrated products for specific regional application based on local product advancement and testing of the product concepts. Research and development in this arena requires long-term commitment of resources, extensive regulatory efforts and collaborations, partnerships and business arrangements to successfully bring products to market. To protect its investment, the business employs the use of patents covering germplasm and native and biotechnology traits in accordance with country laws. Pioneer holds multiple long-term biotechnology trait licenses from third parties as a normal course of business. The biotechnology traits licensed by Pioneer from third parties are contained in a variety of Pioneer crops, including corn hybrids and soybean varieties. The majority of Pioneer's corn hybrids and soybean varieties sold to customers contain biotechnology traits licensed from third parties under these long term licenses.

Pioneer is actively pursuing the development of innovations for corn hybrids, soybean varieties, and canola, sunflower, wheat and rice seed based on market assessments of the most valuable opportunities. In corn seeds, programs include innovations for insect protection, drought, yield and yield stability. In soybean seeds, programs include products with enhanced end-use value and insect protection.

Pioneer has seed production facilities located throughout the world. Seed production is performed directly by the business or contracted with independent growers and conditioners. Pioneer's ability to produce seeds primarily depends upon growing conditions and availability of reliable contract growers.

Pioneer markets and sells seed product primarily under the Pioneer<sup>®</sup> brand but also sells and distributes products utilizing additional brand names. Pioneer promotes its products through multiple marketing channels around the world. In the corn and soybean markets of the U.S. Corn Belt, Pioneer<sup>®</sup> brand products are sold primarily through a specialized force of independent sales representatives. Outside of North America, Pioneer's products are marketed through a network of subsidiaries, joint ventures and independent producer-distributors.

## Part I

### ITEM 1. BUSINESS, *continued*

Crop Protection serves the global production agriculture industry with crop protection products for field crops such as wheat, corn, soybean and rice and specialty crops such as fruit, nut, vine and vegetables. Principle crop protection products are weed control, disease control and insect control offerings for foliar application or as a seed treatment. Crop Protection products are marketed and sold to growers and other end users through a network of wholesale distributors and crop input retailers. Sales for the business' insect control portfolio is led by DuPont <sup>TM</sup> Rynaxypyr <sup>®</sup> insecticide, a product that is used across a broad range of core agricultural crops.

The major commodities, raw materials and supplies for the Agriculture segment include: benzene derivatives, other aromatics and carbamic acid related intermediates, corn and soybean seeds, insect control products, natural gas and seed treatments.

Agriculture net sales outside the U.S. accounted for 51 percent of the segment's total sales in 2016.

#### *Electronics & Communications*

Electronics & Communications (E&C) is a leading supplier of differentiated materials and systems for consumer electronics, photovoltaics (PV), displays and advanced printing that enable superior performance and lower total cost of ownership for customers. The segment leverages the company's strong materials and technology base to target attractive growth opportunities in circuit and semiconductor fabrication and packaging materials, PV materials, display materials, packaging graphics, and digital printing.

In the consumer electronics market, E&C materials add value across multiple devices, with growth driven largely by smart phones. The segment has a portfolio of materials for semiconductor fabrication and packaging, as well as innovative materials for circuit applications, to address critical needs of electronic component and device manufacturers. In the growing PV market, E&C is an industry-leading innovator and supplier of metallization pastes and backsheet materials that improve the efficiency and lifetime of solar cells and solar modules. Solar modules, which are made up of solar cells and other materials, are installed to generate power. DuPont is a leading global supplier of materials to the PV industry. In packaging graphics, E&C is a leading supplier of flexographic printing systems, including Cyrel <sup>®</sup> photopolymer plates and platemaking systems, and is investing in new products to strengthen its market leadership position. The segment supplies pigmented inks used in digital printing applications for textile, commercial and home-office use. In the displays market, E&C has developed solution-process technology, which it licenses for active matrix organic light emitting diode (AMOLED) television displays.

The major commodities, raw materials and supplies for E&C include: acrylic monomers, acetoxystyrene monomer, black and color pigments, styrenic block copolymers, color dyes, copper foil, difluoroethane, diglycolamine, DMAC, hydroxylamine, monomers and polymer resins, oxydianiline, polyester film, polymer films, precious metals and pyromellitic dianhydride.

E&C net sales outside the U.S. accounted for 79 percent of the segment's total sales in 2016.

#### *Industrial Biosciences*

Industrial Biosciences is a leader in developing and manufacturing a broad portfolio of bio-based products. The segment's enzymes add value and functionality to processes and products across a broad range of markets such as animal nutrition, detergents, food manufacturing, ethanol production and industrial applications. The result is cost and process benefits, better product performance and improved environmental outcomes. Industrial Biosciences also makes DuPont <sup>TM</sup> Sorona <sup>®</sup> PTT renewably sourced polymer for use in carpet and apparel fibers. In addition, the clean technologies business unit provides offerings that help reduce sulfur and other emissions, formulate cleaner fuels, and dispose of liquid waste.

The segment includes a joint venture with Tate & Lyle PLC, DuPont Tate & Lyle Bio Products Company, LLC, to produce BioPDO <sup>TM</sup> 1,3 propanediol using a proprietary fermentation and purification process. BioPDO <sup>TM</sup> is the key building block for DuPont <sup>TM</sup> Sorona <sup>®</sup> PTT polymer.

The major commodities, raw materials and supplies for the Industrial Biosciences segment include: terephthalic acid, processed grains (including dextrose and glucose), and glycols.

Industrial Biosciences net sales outside the U.S. accounted for 59 percent of the segment's total sales in 2016.

## Part I

### ITEM 1. BUSINESS, *continued*

#### *Nutrition & Health*

Nutrition & Health offers a wide range of sustainable, bio-based ingredients, providing innovative solutions for specialty food ingredients, food nutrition, health and safety. The segment's product solutions include the wide-range of DuPont™ Danisco® food ingredients such as cultures and probiotics, notably Howaru®, emulsifiers, texturants, natural sweeteners such as Xivia® and Supro® soy-based food ingredients. These ingredients hold leading market positions based on industry leading innovation, knowledge and experience, relevant product portfolios and close-partnering with the world's food manufacturers. Nutrition & Health serves various end markets within the food industry including dairy, bakery, meat and beverage segments. Nutrition & Health has research, production and distribution operations around the world.

Nutrition & Health products are marketed and sold under a variety of brand names and are distributed primarily through its direct route to market. The direct route to market focuses on strong customer collaborations and insights with multinational customers and regional customers alike.

The major commodities, raw materials and supplies for the Nutrition & Health segment include: cellulose, gelatin, glycerol, guar, organic oils, peels, saccharides, seaweed, soybeans, sugars and yeasts.

In November 2016, DuPont announced an investment to expand probiotics production capacity in the United States. The investment is the second phase of a broader probiotics expansion project due to the rapidly growing global demand for probiotics. Phase one, supporting current growth, is ongoing in Madison, Wis., and Rochester, N.Y., and is partially complete as of the end of 2016. The second phase is scheduled to span two-years, represents an investment of approximately \$100 million, and increases the company's probiotics production capacity by an additional 70 percent. Production will be optimized with the installation of new, high-volume fermenters and other processing equipment.

In December 2016, DuPont and Hygenia LLC announced an agreement to sell DuPont's global food safety diagnostic business to Hygenia LLC. The transaction is expected to close in the first half of 2017, pending satisfaction of customary closing conditions, including receipt of regulatory approval.

Nutrition & Health net sales outside the U.S. accounted for 66 percent of the segment's total sales in 2016.

#### *Performance Materials*

DuPont Performance Materials (Performance Materials) provides its customers with innovative polymer science solutions and expert application development assistance to enhance the performance, reduce the total system cost and optimize the sustainability of their products. Solutions include productive, higher performance polymers, elastomers, films, parts, and systems and solutions which improve the uniqueness, functionality and profitability of its customers' offerings. Key market segments include automotive and transportation, packaging for food and beverages, electrical/electronic components, material handling, healthcare, construction, semiconductor and aerospace. The segment has several large customers, primarily in the motor vehicle OEM industry supply chain. The company has long-standing relationships with these customers and they are considered to be important to the segment's operating results.

Performance Materials product portfolio includes elastomers and thermoplastic and thermoset engineering polymers which are used by customers to fabricate components for mechanical, chemical and electrical systems. The main products include: DuPont™ Zytel® long chain nylon polymers, Zytel® HTN nylon resins, Zytel® nylon resins, Crastin® PBT polymer resins, Rynite® PET polymer resins, Delrin® acetal resins, Hytel® polyester thermoplastic elastomer resins, Vespel® parts and shapes, Vamac® ethylene acrylic elastomer and Kalrez® perfluoroelastomer.

Performance Materials also specializes in resins and films used in packaging and industrial polymer applications, sealants and adhesives and sporting goods. Key brands include: DuPont™ Surlyn® ionomer resins, Bynel® coextrudable adhesive resins, Elvax® EVA resins, Nucrel® Elvaloy® polymer modifiers and Elvaloy® copolymer resins. Performance Materials product portfolio also includes the DuPont Teijin Films joint venture, whose primary products are Mylar® and Melinex® polyester films.

In November 2013, DuPont entered into a definitive agreement to sell Glass Laminating Solutions/Vinyls (GLS/Vinyls) to Kuraray Co. Ltd. In June 2014, the sale was completed which resulted in a pre-tax gain of \$391 million (\$273 million net of tax). The gain was recorded in other income, net in the company's Consolidated Income Statement for the year ended December 31, 2014. GLS/Vinyls specializes in interlayers for laminated safety glass and its key brands include SentryGlas® and Butacite® laminate interlayers.

## Part I

### ITEM 1. BUSINESS, *continued*

The major commodities, raw materials and supplies for the Performance Materials segment include: acetic acid, acrylic monomers, adipic acid, butanediol, dimethyl terephthalate, dodecanedioic acid, ethane, fiberglass, hexamethylene diamine, methanol, methacrylic acid, methylacrylate, natural gas, paraxylene, perfluoromethylvinyl ether, polytetramethylene glycol, polyethylene, polyolefin resin, purified terephthalic acid, and vinyl acetate monomer.

Performance Materials net sales outside the U.S. accounted for 71 percent of the segment's total sales in 2016.

#### *Protection Solutions*

Protection Solutions satisfies the growing global needs of businesses, governments, and consumers for solutions that make life safer, healthier, and more secure. By uniting market-driven science with the strength of highly regarded brands, the segment delivers products to a broad array of markets, including, industrial, construction, consumer, military and law enforcement, automotive, aircraft, and energy. Protection Solutions is also investing in future growth initiatives such as protection of perishable and temperature-sensitive food and pharmaceutical products and roofing underlayment.

With highly recognized brands like DuPont™ Kevlar® high-strength material, Nomex® thermal-resistant material, and Tyvek® protective material, the business has a broad portfolio of industry leading solutions for applications such as: aerospace, life protection, personal protection, medical packaging, graphics, and protection and energy efficiency of buildings. DuPont™ Corian®, Montelli®, and Zodiaq® solid surfaces offer durable, functional, and aesthetically appealing materials for residential and commercial interior and exterior applications.

The major commodities, raw materials, and supplies for the Protection Solutions segment include: alumina trihydrate, aniline, benzene, calcium chloride, carbon monoxide, chlorine, high-density polyethylene, isophthalic acid, metaphenylenediamine, methyl methacrylate, polyester resin, polypropylene, quartz, sulfuric acid, and terephthalic acid.

Protection Solutions net sales outside the U.S. accounted for 56 percent of the segment's total sales in 2016.

#### **Backlog**

In general, the company does not manufacture its products against a backlog of orders and does not consider backlog to be a significant indicator of the level of future sales activity. Production and inventory levels are based on the level of incoming orders as well as projections of future demand. Therefore, the company believes that backlog information is not material to understanding its overall business and should not be considered a reliable indicator of the company's ability to achieve any particular level of revenue or financial performance.

#### **Intellectual Property**

As a science and technology based company, DuPont believes that securing intellectual property is an important part of protecting its research. Some DuPont businesses operate in environments in which the availability and protection of intellectual property rights affect competition. Information on the importance of intellectual property rights to Pioneer is included in Item 1 Agriculture business discussion beginning on page 4 of this report.

Trade secrets are an important element of the company's intellectual property. Many of the processes used to make DuPont products are kept as trade secrets which, from time to time, may be licensed to third parties. DuPont vigilantly protects all of its intellectual property including its trade secrets. When the company discovers that its trade secrets have been unlawfully taken, it reports the matter to governmental authorities for investigation and potential criminal action, as appropriate. In addition, the company takes measures to mitigate any potential impact, which may include civil actions seeking redress, restitution and/or damages based on loss to the company and/or unjust enrichment.

*Patents & Trademarks:* DuPont continually applies for and obtains U.S. and foreign patents and has access to a large patent portfolio, both owned and licensed. DuPont's rights under these patents and licenses, as well as the products made and sold under them, are important to the company in the aggregate. The protection afforded by these patents varies based on country, scope of individual patent coverage, as well as the availability of legal remedies in each country. This significant patent estate may be leveraged to align with the company's strategic priorities within and across segments. At December 31, 2016, the company owned about 6,500 active U.S. patents and about 10,000 active patents outside of the U.S., of which about 55 and 30 percent, respectively, relate to the Agriculture segment.



## Part I

### ITEM 1. BUSINESS, *continued*

Remaining life of granted patents owned as of December 31, 2016:

	U.S.	Other Countries
Within 5 years	1,400	1,900
6 to 10 years	1,600	4,100
11 to 16 years	2,400	3,700
16 to 20 years	1,100	300
Total	6,500	10,000

In addition to its owned patents, the company owns over 8,300 patent applications.

The company owns or licenses many trademarks that have significant recognition at the consumer retail level and/or business to business level. Ownership rights in trademarks do not expire if the trademarks are continued in use and properly protected.

#### Research and Development

DuPont's investment in research and development (R&D) was \$1.6 billion in 2016, \$1.9 billion in 2015 and \$2.0 billion in 2014. DuPont conducts R&D activities to renew our portfolio, create new product lines, and transform markets to deliver results in the short, mid and long term. Each business in the company directs R&D activities that support its business objectives, and the company supports cross-business and cross-functional investment to incubate new science-intensive growth opportunities additive to the existing business portfolios. The R&D portfolio is managed by senior business and R&D leaders to ensure consistency with the corporate and business strategies and to capitalize on the application of emerging science. DuPont's R&D leverages the company's unique world-class science, technology and engineering capabilities, deep understanding of markets and value chains, and research collaborations, to drive revenue and profit growth.

The company protects its R&D investment through its intellectual property strategy. See discussion under "Intellectual Property" beginning on page 7.

Additional information with respect to R&D related to Agriculture is included on page 4.

#### Environmental Matters

Information related to environmental matters is included in several areas of this report: (1) Environmental Proceedings beginning on page 18, (2) Management's Discussion and Analysis of Financial Condition and Results of Operations beginning on pages 43, 48-50 and (3) Notes 1 and 15 to the Consolidated Financial Statements.

#### Available Information

The company is subject to the reporting requirements under the Securities Exchange Act of 1934. Consequently, the company is required to file reports and information with the Securities and Exchange Commission (SEC), including reports on the following forms: annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934.

The public may read and copy any materials the company files with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site at <http://www.sec.gov> that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

The company's annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports are also accessible on the company's website at <http://www.dupont.com> by clicking on the section labeled "Investors", then on "Filings & Reports" and then on "SEC Filings." These reports are made available, without charge, as soon as is reasonably practicable after the company files or furnishes them electronically with the SEC.

#### Executive Officers of the Registrant

Information related to the company's Executive Officers is included in Item 10, Directors, Executive Officers and Corporate Governance, beginning on page 53 of this report.

## Part I

### ITEM 1A. RISK FACTORS

#### **Risks relating to the Mergers**

The risk factors below should be read in conjunction with the risk factors and other information related to the Mergers set forth in the Registration Statement and the risk factors related to the company's operations set forth below as well as the other information contained in this report.

#### **Regulatory approvals may not be received, may take longer than expected or may impose conditions that are not presently anticipated or that cannot be met.**

Before the Mergers may be completed, various approvals, authorizations and declarations of non-objection must be obtained from certain regulatory and governmental authorities. Subject to the terms and conditions of the Merger Agreement, Dow and DuPont have each agreed to use their reasonable best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with each other in doing, all things necessary, proper or advisable to consummate and make effective, as soon as possible following the date of the Merger Agreement, the Mergers and the other transactions contemplated by the Merger Agreement. For purposes of the foregoing, "reasonable best efforts" includes (i) the sale, divestiture or disposition of such assets or businesses of either party or its subsidiaries or affiliates and (ii) restrictions or actions that after the Effective Time would limit DowDuPont's or its subsidiaries' or affiliates' freedom of action or operations with respect to retaining, or its ability to retain, one or more of its or its subsidiaries' businesses, product lines or assets. These regulatory and governmental entities may impose conditions on the granting of such approvals and if such regulatory and governmental entities seek to impose such conditions, lengthy negotiations may ensue among such regulatory or governmental entities, DuPont and Dow. Such conditions and the process of obtaining regulatory approvals could have the effect of delaying completion of the Mergers and such conditions may not be satisfied for an extended period of time. Such conditions may also impose additional costs or limitations on the combined company following the completion of the Mergers, including the requirement that the respective Dow and DuPont businesses divest certain assets if necessary in order to obtain certain regulatory approvals, and may limit the ability of the combined company to integrate parts of the DuPont and Dow businesses and negatively impact the ultimate composition of the entities we expect to constitute in connection with the Intended Business Separations. These conditions may therefore reduce the anticipated benefits of the Mergers, which could also have a material adverse effect on the combined company's business and cash flows and results of operations, and DuPont cannot predict what, if any, changes may be required by regulatory or governmental authorities whose approvals are required. The regulatory approvals may not be received at all, may not be received in a timely fashion, and may contain conditions on the completion of the Mergers.

#### **DuPont or Dow may waive one or more of the closing conditions without re-soliciting stockholder approval.**

DuPont or Dow may determine to waive, in whole or in part, one or more of the conditions to its obligations to consummate the Mergers. DuPont or Dow currently expect to evaluate the materiality of any waiver and its effect on DuPont stockholders or Dow stockholders, as applicable, in light of the facts and circumstances at the time to determine whether any amendment of the Registration Statement or any re-solicitation of proxies or voting cards is required in light of such waiver. Any determination whether to waive any condition to the Mergers or as to re-soliciting stockholder approval or amending the Registration Statement as a result of the waiver will be made by DuPont or Dow, as applicable, at the time of such waiver based on the facts and circumstances as they exist at that time.

#### **The Merger Agreement may be terminated in accordance with its terms and the Mergers may not be completed.**

The completion of the Mergers is subject to the satisfaction or waiver of a number of conditions. Those conditions include: (i) the receipt of certain domestic and foreign regulatory approvals under competition laws, including the termination or expiration of the waiting period under the HSR Act; (ii) the absence of certain governmental restraints or prohibitions preventing completion of the DuPont Merger or the Dow Merger; (iii) the approval of the shares of DowDuPont Common Stock to be issued to DuPont stockholders and Dow stockholders for listing on the NYSE; (iv) the reasonable determination by DuPont and Dow that neither the DuPont Merger nor the Dow Merger will constitute an acquisition of a 50 percent or greater interest in Dow or DuPont, under Section 355(e) of the Code; (v) the truth and correctness of the representations and warranties made by both parties (generally subject to certain "materiality" and "material adverse effect" qualifiers); (vi) the performance by DuPont and Dow of their respective obligations under the Merger Agreement in all material respects; and (vii) the receipt by both parties of legal opinions from their respective tax counsels with respect to the tax-free nature of each of the Mergers.

## Part I

### ITEM 1A. RISK FACTORS, *continued*

These conditions to the closing may not be fulfilled and, accordingly, the Mergers may not be completed. In addition, if the Mergers are not completed by March 15, 2017 (subject to extension to June 15, 2017, by either party if certain antitrust-related conditions to the closing have not been satisfied), either DuPont or Dow may choose not to proceed with the Mergers, and the parties can mutually decide to terminate the Merger Agreement at any time prior to the consummation of the Mergers. In addition, DuPont or Dow may elect to terminate the Merger Agreement in certain other circumstances. If the Merger Agreement is terminated, Dow and DuPont may incur substantial fees in connection with termination of the Merger Agreement and will not recognize the anticipated benefits of the Mergers.

#### **Termination of the Merger Agreement could negatively impact DuPont.**

If the Merger Agreement is terminated in accordance with its terms and the Mergers are not consummated, the ongoing businesses of DuPont may be adversely affected by a variety of factors. DuPont's respective businesses may be adversely impacted by the failure to pursue other beneficial opportunities during the pendency of the Mergers, by the failure to obtain the anticipated benefits of completing the Mergers, by payment of certain costs relating to the Mergers, and by the focus of DuPont's management on the Mergers for an extended period of time rather than on management opportunities or other issues. The market price of DuPont common stock might decline as a result of any such failures to the extent that the current market prices reflect a market assumption that the Mergers will be completed.

In addition, if the Merger Agreement is terminated under certain circumstances, DuPont or Dow may be required to pay a termination fee of \$1.9 billion to the other party, depending on the circumstances surrounding the termination. DuPont may also be negatively impacted if the Merger Agreement is terminated and it seeks but is unable to find another business combination or strategic transaction offering equivalent or more attractive consideration than the consideration to be provided in the Mergers, or if DuPont becomes subject to litigation related to entering into or failing to consummate the Mergers, including direct actions by DuPont stockholders against the directors and/or officers of DuPont for breaches of fiduciary duty, and stockholder derivative actions.

#### **There can be no assurance that the expected benefits of the Mergers, including the Intended Business Separations, will occur or be fully or timely realized.**

The success of the Mergers will depend, in part, on the combined company's ability to successfully combine the businesses of DuPont and Dow. If the combined company is not able to successfully combine the businesses of DuPont and Dow in an efficient and effective manner, including if the Intended Business Separations are delayed or ultimately not consummated, the anticipated benefits, synergies, operational efficiencies and cost savings may not be realized fully or at all, or may take longer to realize than expected, and the value of common stock, the revenues, levels of expenses and results of operations of the combined company may be adversely affected.

The combination of two independent businesses is a complex, costly and time consuming process, and the management of the combined company may face significant challenges in implementing such integration, including, without limitation:

- latent impacts resulting from the diversion of management's attention from ongoing business concerns as a result of the devotion of management's attention to the Mergers and resulting performance shortfalls;
- ongoing diversion of the attention of management from the operation of the combined company's business as a result of the Intended Business Separations;
- difficulties in achieving anticipated cost savings, synergies, business opportunities and growth prospects;
- difficulties in managing a larger combined company addressing differences in business culture and retaining key personnel;
- the possibility of faulty assumptions underlying expectations regarding the integration process, including with respect to the Intended Business Separations;
- unanticipated issues in integrating information technology, communications programs, financial procedures and operations, and other systems, procedures and policies;
- unanticipated changes in applicable laws and regulations;
- managing tax costs or inefficiencies associated with integrating the operations of the combined company and the Intended Business Separations;
- coordinating geographically separate organizations; and unforeseen expenses or delays associated with the Mergers.

## Part I

### ITEM 1A. RISK FACTORS, *continued*

Some of these factors will be outside of the control of management and any one of them could result in increased costs and diversion of management's time and energy, as well as decreases in the amount of expected revenues which could materially impact the company's business, financial conditions and results of operations. The integration process and other disruptions resulting from the Mergers may also adversely affect the combined company's relationships with employees, suppliers, customers, distributors, licensors and others with whom DuPont and Dow have business or other dealings, and difficulties in integrating the businesses or regulatory functions of DuPont and Dow could harm the reputation of the combined company.

If the combined company is not able to successfully combine the businesses of DuPont and Dow in an efficient, cost-effective and timely manner, the anticipated benefits and cost savings of the Mergers (including the Intended Business Separations) may not be realized fully, or at all, or may take longer to realize than expected, and the value of DowDuPont common stock, the revenues, levels of expenses and results of operations may be affected adversely. If the combined company is not able to adequately address integration challenges, the combined company may be unable to integrate successfully DuPont's and Dow's operations, effect the Intended Business Separations or to realize the anticipated benefits of the transactions.

#### **DuPont will be subject to business uncertainties and contractual restrictions until the Mergers are consummated.**

Uncertainty about the completion or effect of the Mergers on employees, suppliers, customers, distributors, licensors and licensees as well as regulatory permits, licenses, contracts and other agreements, particularly for which the Mergers could be deemed a "change-in-control" under the applicable terms and conditions may have an adverse effect on DuPont, Dow and consequently on the combined company. Changes to existing business relationships, including termination or modification, could negatively affect each of DuPont's and/or Dow's revenues, earnings and cash flow, as well as the market price of its common stock. These uncertainties may impair each party's ability to attract, retain and motivate key personnel until the consummation of the Mergers, and could cause suppliers, customers and others that deal with the parties to seek to change existing business relationships with them. Retention of employees could be challenging during the pendency of the Mergers due to uncertainty about their future roles. If key employees depart because of issues related to the uncertainty and difficulty of integration or a desire not to remain with the businesses, the combined company's business following the consummation of the Mergers could be negatively impacted. Further, no assurance can be given that the combined company will be able to attract or retain key management personnel and other key employees of DuPont and Dow to the same extent that DuPont and Dow have previously been able to attract or retain their employees.

In addition, the Merger Agreement restricts each of DuPont and Dow, without the consent of the other party, from making certain acquisitions and divestitures, entering into certain contracts, incurring certain indebtedness and expenditures, paying dividends in excess of certain thresholds, repurchasing or issuing securities outside of existing share repurchase and equity award programs, and taking other specified actions until the earlier of the completion of the Mergers or the termination of the Merger Agreement. These restrictions may prevent or delay pursuit of strategic corporate or business opportunities that may arise prior to the consummation of the Mergers. Adverse effects arising during the pendency of the Mergers could be exacerbated by any delays in consummation of the Mergers or termination of the Merger Agreement.

#### **Inability to access the debt capital markets could impair DuPont's liquidity, business or financial condition.**

DuPont has relied and continues to rely on access to the debt capital markets to finance its day-to-day and long-term operations. In connection with the Mergers, Dow and DuPont do not intend for DowDuPont to incur debt obligations or guarantee the debt obligations of Dow or DuPont.

Any limitation on DuPont's ability to raise money in the debt markets could have a substantial negative effect on its liquidity. Access to the debt capital markets in amounts adequate to finance DuPont's activities could be impaired as a result of the existence of material nonpublic information about the Intended Business Separations and other potential factors, including factors that are not specific to DuPont, such as a severe disruption of the financial markets and interest rate fluctuations.

#### **DuPont expects to incur substantial transaction-related costs in the connection with the Mergers.**

DuPont expects to incur significant costs, expenses and fees for professional services and other transaction costs in connection with the transaction. During the years ended December 31, 2016 and 2015, the company incurred transaction-related costs of \$386 million and \$10 million, respectively. The substantial majority of these costs are and will continue to be expenses relating to the Mergers and the Intended Business Separations, including costs relating to integration and separation planning. These costs could adversely affect the financial condition and results of operation of DuPont prior to the Mergers and of the combined company following the Mergers.

## Part I

### ITEM 1A. RISK FACTORS, *continued*

**The determination to proceed with the Intended Business Separations will not be made at the time of the consummation of the Mergers, and the expected benefits of such transactions, if they occur, will be uncertain.**

In connection with the Mergers, Dow and DuPont have announced their intention that the combined company will pursue the separation of the combined company's agriculture business, material science business and specialty products business through one or more tax-efficient transactions, resulting in three independent, publicly traded companies. However, consummation of the Mergers is not conditioned on the Intended Business Separations, and the determination as to whether to pursue such transactions will be made by the DowDuPont Board following the consummation of the Mergers. Following the consummation of the Mergers, the DowDuPont Board may ultimately determine to abandon one or more of the Intended Business Separations, and such determination could have an adverse impact on the value of the combined company. Additionally, there are many determinations with respect to the Intended Business Separations that, by their nature, cannot be determined until the completion of the Mergers, including definitive determinations with regard to the capital structure of the various businesses and allocation of liabilities among them. As such, there are many factors that could, through the closing and prior to the determination by the DowDuPont Board to proceed with the Intended Business Separations, impact the structure or timing of, the anticipated benefits from, or determination to ultimately proceed with, the Intended Business Separations, including, among others, global economic conditions, instability in credit markets, declining consumer and business confidence, fluctuating commodity prices and interest rates, volatile exchange rates, tax considerations, and other challenges that could affect the global economy, specific market conditions in one or more of the industries of the businesses proposed to be separated, and changes in the regulatory or legal environment. Such changes could adversely impact the value of one or more of the Intended Business Separations to the combined company's stockholders. Additionally, to the extent the DowDuPont Board determines to proceed with the Intended Business Separations, the consummation of such transactions is a complex, costly and time consuming process, and there can be no assurance that the intended benefits of such transactions will be achieved. An inability to realize the full extent of the anticipated benefits of the Intended Business Separations, as well as any delays encountered in the process, could have an adverse effect upon the revenues, level of expenses and operating results of the agriculture business, the specialty products business, the material science business and/or the combined company.

#### **Risks Related to the Company's Operations**

The company's operations could be affected by various risks, many of which are beyond its control. Based on current information, the company believes that the following identifies the most significant risk factors that could affect its businesses. Past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods.

**The company's operations outside the United States are subject to risks and restrictions, which could negatively affect our results of operations, financial condition, and cash flows.**

The company's operations outside the United States are subject to risks and restrictions, including fluctuations in currency values and foreign-currency exchange rates; exchange control regulations; changes in local political or economic conditions; import and trade restrictions; import or export licensing requirements and trade policy and other potentially detrimental domestic and foreign governmental practices or policies affecting U.S. companies doing business abroad. Although DuPont has operations throughout the world, sales outside the U.S. in 2016 were principally to customers in Eurozone countries, China, Brazil, and Japan. Further, the company's largest currency exposures are the European euro, the Chinese yuan, the Brazilian real, and the Japanese yen. Market uncertainty or an economic downturn in these geographic areas could reduce demand for the company's products and result in decreased sales volume, which could have a negative impact on DuPont's results of operations. In addition, changes in exchange rates may affect the company's results from operations, financial condition and cash flows in future periods. The company actively manages currency exposures that are associated with net monetary asset positions, committed currency purchases and sales, foreign currency-denominated revenues and other assets and liabilities created in the normal course of business.

**Volatility in energy and raw materials costs could have a significant impact on the company's sales and earnings.**

The company's manufacturing processes consume significant amounts of energy and raw materials, the costs of which are subject to worldwide supply and demand as well as other factors beyond the control of the company. Significant variations in the cost of energy, which primarily reflect market prices for oil, natural gas, and raw materials affect the company's operating results from period to period. Legislation to address climate change by reducing greenhouse gas emissions and establishing a price on carbon could create increases in energy costs and price volatility.

## Part I

### ITEM 1A. RISK FACTORS, *continued*

When possible, the company purchases raw materials through negotiated long-term contracts to minimize the impact of price fluctuations. Additionally, the company enters into over-the-counter and exchange traded derivative commodity instruments to hedge its exposure to price fluctuations on certain raw material purchases. The company takes actions to offset the effects of higher energy and raw material costs through selling price increases, productivity improvements and cost reduction programs. Success in offsetting higher raw material costs with price increases is largely influenced by competitive and economic conditions and could vary significantly depending on the market served. If the company is not able to fully offset the effects of higher energy and raw material costs, it could have a significant impact on the company's financial results.

**The company's results of operations and financial condition could be seriously impacted by business disruptions and security breaches, including cybersecurity incidents.**

Business and/or supply chain disruptions, plant and/or power outages and information technology system and/or network disruptions, regardless of cause including acts of sabotage, employee error or other actions, geo-political activity, weather events and natural disasters could seriously harm the company's operations as well as the operations of its customers and suppliers. Failure to effectively prevent, detect and recover from security breaches, including attacks on information technology and infrastructure by hackers; viruses; breaches due to employee error or actions; or other disruptions could result in misuse of the company's assets, business disruptions, loss of property including trade secrets and confidential business information, legal claims or proceedings, reporting errors, processing inefficiencies, negative media attention, loss of sales and interference with regulatory compliance. Like most major corporations, the company is the target of industrial espionage, including cyber-attacks, from time to time. The company has determined that these attacks have resulted, and could result in the future, in unauthorized parties gaining access to at least certain confidential business information. However, to date, the company has not experienced any material financial impact, changes in the competitive environment or business operations that it attributes to these attacks. Although management does not believe that the company has experienced any material losses to date related to security breaches, including cybersecurity incidents, there can be no assurance that it will not suffer such losses in the future. The company actively manages the risks within its control that could lead to business disruptions and security breaches. As these threats continue to evolve, particularly around cybersecurity, the company may be required to expend significant resources to enhance its control environment, processes, practices and other protective measures. Despite these efforts, such events could have a material adverse effect on the company's business, financial condition or results of operations.

**Unpredictable seasonal and weather factors could impact sales and earnings from the company's Agriculture segment.**

The agriculture industry is subject to seasonal and weather factors, which can vary unpredictably from period to period. Weather factors can affect the presence of disease and pests on a regional basis and, accordingly, can positively or adversely affect the demand for crop protection products, including the mix of products used. The weather also can affect the quality, volume and cost of seeds produced for sale as well as demand and product mix. Seed yields can be higher or lower than planned, which could lead to higher inventory and related-write-offs and affect the ability to supply.

**Inability to discover, develop and protect new technologies and enforce the company's intellectual property rights could adversely affect the company's financial results.**

The company competes with major global companies that have strong intellectual property estates, including intellectual property rights supporting the use of biotechnology to enhance products, particularly agricultural and bio-based products. Speed in discovering, developing and protecting new technologies and bringing related products to market is a significant competitive advantage. Failure to predict and respond effectively to this competition could cause the company's existing or candidate products to become less competitive, adversely affecting sales. Competitors are increasingly challenging intellectual property positions and the outcomes can be highly uncertain. If challenges are resolved adversely, it could negatively impact the company's ability to obtain licenses on competitive terms, commercialize new products and generate sales from existing products.

Intellectual property rights, including patents, plant variety protection, trade secrets, confidential information, trademarks, tradenames and other forms of trade dress, are important to the company's business. The company endeavors to protect its intellectual property rights in jurisdictions in which its products are produced or used and in jurisdictions into which its products are imported. However, the company may be unable to obtain protection for its intellectual property in key jurisdictions. Further, changes in government policies and regulations, including changes made in reaction to pressure from non-governmental organizations, could impact the extent of intellectual property protection afforded by such jurisdictions.

## Part I

### ITEM 1A. RISK FACTORS, *continued*

The company has designed and implemented internal controls to restrict access to and distribution of its intellectual property. Despite these precautions, the company's intellectual property is vulnerable to unauthorized access through employee error or actions, theft and cybersecurity incidents, and other security breaches. When unauthorized access and use or counterfeit products are discovered, the company reports such situations to governmental authorities for investigation, as appropriate, and takes measures to mitigate any potential impact. Protecting intellectual property related to biotechnology is particularly challenging because theft is difficult to detect and biotechnology can be self-replicating. Accordingly, the impact of such theft can be significant. See Part I, Item 1 for additional details on the company's intellectual property.

#### **Market acceptance, government policies, rules, regulations and competition could affect the company's ability in certain markets to generate and sustain sales or affect profitability from products based on biotechnology.**

The company is using biotechnology to create and improve products, particularly in its Agriculture and Industrial Biosciences segments. The company is also using biotechnology in the development of certain products and pre-commercial programs in Other. These products enable cost and process benefits, better product performance and functionality, and improve environmental outcomes in a broad range of products, technologies and processes such as seeds, enzymes, animal nutrition, detergents, food ingredients, ethanol production and industrial applications. The company's ability to generate and sustain sales from such products could be impacted by market acceptance, including perception of benefits and costs relative to products based on conventional technologies, as well as governmental policies, laws and regulations that affect the development, manufacture and commercialization of products, particularly the testing and planting of seeds containing biotechnology traits and the import of grains, food and food ingredients and other products derived from those seeds.

In order to maintain its right to produce or sell existing products or to commercialize new products containing biotechnology traits, particularly seed products, the company must be able to demonstrate its ability to satisfy the requirements of regulatory agencies. Sales into and use of seeds with biotechnology traits in jurisdictions where cultivation has been approved could be affected if key import markets have not approved the import of grains, food and food ingredients and other products derived from those seeds. If import of grains, food and food ingredients and other products derived from those seeds containing such biotechnology traits occurs in these markets, it could lead to disruption in trade and potential liability for the company.

In addition, the company's regulatory compliance could be affected by the detection of low level presence of biotechnology traits in conventional seed or products produced from such seed. Furthermore, the detection of biotechnology traits not approved in the country of cultivation may affect the company's ability to supply product and could affect exports of products produced from such seeds and even result in crop destruction or product recalls.

#### **DuPont's ability to obtain and maintain regulatory approval for some of its products in the Agriculture segment could limit sales or affect profitability in certain markets.**

In most jurisdictions, the company must test the safety, efficacy and environmental impact of its Agricultural products to satisfy regulatory requirements and obtain the necessary approvals. In certain jurisdictions the company must periodically renew its approvals which may require it to demonstrate compliance with then-current standards. The regulatory environment is lengthy, complex and in some markets unpredictable, with requirements that can vary by product, technology, industry and country. The regulatory environment may be impacted by the activities of non-governmental organizations and special interest groups and stakeholder reaction to actual or perceived impacts of new technology, products or processes on safety, health and the environment. Obtaining and maintaining regulatory approvals requires submitting a significant amount of information and data, which may require participation from technology providers. Regulatory standards and trial procedures are continuously changing. The pace of change together with the lack of regulatory harmony could result in unintended noncompliance.

Responding to these changes and meeting existing and new requirements may involve significant costs or capital expenditures or require changes in business practice that could result in reduced profitability. The failure to receive necessary permits or approvals could have near- and long-term effects on the company's ability to produce and sell some current and future products.

## Part I

### ITEM 1A. RISK FACTORS, *continued*

#### **Failure to effectively manage acquisitions, divestitures, alliances and other portfolio actions could adversely impact our future results.**

From time to time, the company evaluates acquisition candidates that may strategically fit its business and/or growth objectives. If the company is unable to successfully integrate and develop acquired businesses, the company could fail to achieve anticipated synergies and cost savings, including any expected increases in revenues and operating results, which could have a material adverse effect on the company's financial results. The company continually reviews its portfolio of assets for contributions to the company's objectives and alignment with its growth strategy. However, the company may not be successful in separating underperforming or non-strategic assets and gains or losses on the divestiture of, or lost operating income from, such assets may affect the company's earnings. Moreover, the company might incur asset impairment charges related to acquisitions or divestitures that reduce its earnings.

#### **The company's business, including its results of operations and reputation, could be adversely affected by process safety and product stewardship issues.**

Failure to appropriately manage safety, human health, product liability and environmental risks associated with the company's products, product life cycles and production processes could adversely impact employees, communities, stakeholders, the environment, the company's reputation and its results of operations. Public perception of the risks associated with the company's products and production processes could impact product acceptance and influence the regulatory environment in which the company operates. While the company has procedures and controls to manage process safety risks, issues could be created by events outside of its control including natural disasters, severe weather events, acts of sabotage and substandard performance by third parties with which the company collaborates.

#### **As a result of the company's current and past operations, including operations related to divested businesses, the company could incur significant environmental liabilities.**

The company is subject to various laws and regulations around the world governing the environment, including the discharge of pollutants and the management and disposal of hazardous substances. As a result of its operations, including its past operations and operations of divested businesses, the company could incur substantial costs, including remediation and restoration costs. The costs of complying with complex environmental laws and regulations, as well as internal voluntary programs, are significant and will continue to be so for the foreseeable future. The ultimate costs under environmental laws and the timing of these costs are difficult to predict. The company's accruals for such costs and liabilities may not be adequate because the estimates on which the accruals are based depend on a number of factors including the nature of the matter, the complexity of the site, site geology, the nature and extent of contamination, the type of remedy, the outcome of discussions with regulatory agencies and other Potentially Responsible Parties (PRPs) at multi-party sites and the number and financial viability of other PRPs.

At December 31, 2016, the company had recognized a liability of \$457 million related to the matters. Since considerable uncertainty exists, under adverse changes in circumstances, the potential liability may range up to \$900 million above the amount accrued at December 31, 2016. As described in Note 3 to the Consolidated Financial Statements, DuPont and Chemours entered into a Separation Agreement in connection with the spin-off of Chemours on July 1, 2015. Pursuant to the Separation Agreement, the company is indemnified by Chemours for certain environmental matters, included in the liability of \$457 million, that have an estimated liability of \$250 million as of December 31, 2016 and a potential exposure that ranges up to approximately \$500 million above the amount accrued. As such, the company has recorded an indemnification asset of \$250 million corresponding to the company's accrual balance related to these matters at December 31, 2016. If the company could no longer continue to recognize the related indemnification asset due to potential disputes related to recovery or solvency of Chemours, it could adversely impact DuPont's financial position and results of operations.

Additional details on the company's risks associated with environmental laws, regulations and environmental liabilities can be found in Part I, Item 1, Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, on page 48 of this report and Note 15 to the Consolidated Financial Statements.



## Part I

### ITEM 1A. RISK FACTORS, *continued*

**The company's results of operations could be adversely affected by litigation and other commitments and contingencies.**

The company faces risks arising from various unasserted and asserted litigation matters, including, but not limited to, product liability, patent infringement, antitrust claims, and claims for third party property damage or personal injury stemming from alleged environmental torts. The company has noted a nationwide trend in purported class actions against chemical manufacturers generally seeking relief such as medical monitoring, property damages, off-site remediation and punitive damages arising from alleged environmental torts without claiming present personal injuries. The company also has noted a trend in public and private nuisance suits being filed on behalf of states, counties, cities and utilities alleging harm to the general public. Various factors or developments can lead to changes in current estimates of liabilities such as a final adverse judgment, significant settlement or changes in applicable law. A future adverse ruling or unfavorable development could result in future charges that could have a material adverse effect on the company. An adverse outcome in any one or more of these matters could be material to the company's financial results.

In the ordinary course of business, the company may make certain commitments, including representations, warranties and indemnities relating to current and past operations, including those related to divested businesses and issue guarantees of third party obligations. If the company were required to make payments as a result, they could exceed the amounts accrued, thereby adversely affecting the company's results of operations.

Pursuant to the Separation Agreement, Chemours indemnifies DuPont against certain litigation, environmental, workers' compensation and other liabilities that arose prior to the distribution. The term of this indemnification is indefinite and includes defense costs and expenses, as well as monetary and non-monetary settlements and judgments. If the company could no longer continue to recognize the related indemnification asset due to potential disputes related to recovery or solvency of Chemours, it could adversely impact DuPont's financial position and results of operations.

## Part I

### ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

### ITEM 2. PROPERTIES

The company's corporate headquarters are located in Wilmington, Delaware. The company's manufacturing, processing, marketing and research and development facilities, as well as regional purchasing offices and distribution centers are located throughout the world. Additional information with respect to the company's property, plant and equipment and leases is contained in Notes 10, 15 and 20 to the Consolidated Financial Statements.

The company has investments in property, plant and equipment related to global manufacturing operations. Collectively there are approximately 290 principal sites in total. The number of sites used by their applicable segment(s) by major geographic area around the world is as follows:

	Number of Sites							Total <sup>1</sup>
	Agriculture	Electronics & Communications	Industrial Biosciences	Nutrition & Health	Performance Materials	Protection Solutions	Other	
Asia Pacific	23	10	2	12	16	6	2	71
EMEA <sup>2</sup>	26	3	8	28	6	3	—	74
Latin America	22	—	1	10	1	1	2	37
U.S. & Canada	60	16	11	17	13	6	1	124
	131	29	22	67	36	16	5	306

<sup>1.</sup> Sites that are used by multiple segments are included more than once in the figures above.

<sup>2.</sup> Europe, Middle East, and Africa (EMEA).

The company's principal sites include facilities which, in the opinion of management, are suitable and adequate for their use and have sufficient capacity for the company's current needs and expected near-term growth. Properties are primarily owned by the company; however, certain properties are leased. No title examination of the properties has been made for the purpose of this report and certain properties are shared with other tenants under long-term leases.

## Part I

### ITEM 3. LEGAL PROCEEDINGS

The company is subject to various litigation matters, including, but not limited to, product liability, patent infringement, antitrust claims, and claims for third party property damage or personal injury stemming from alleged environmental torts. Information regarding certain of these matters is set forth below and in Note 15 to the Consolidated Financial Statements.

#### **Litigation**

##### *PFOA: Environmental and Litigation Proceedings*

For purposes of this report, the term PFOA means collectively perfluorooctanoic acid and its salts, including the ammonium salt and does not distinguish between the two forms. Information related to this matter is included in Note 15 to the Consolidated Financial Statements under the heading PFOA.

##### *La Porte Plant, La Porte, Texas - Crop Protection - release Incident Investigations*

On November 15, 2014, there was a release of methyl mercaptan at the company's La Porte facility. The release occurred at the site's Crop Protection unit resulting in four employee fatalities inside the unit. DuPont continues to cooperate with governmental agencies, including the U.S. Environmental Protection Agency (EPA) and the Department of Justice (DOJ), still conducting investigations. These investigations could result in sanctions and penalties against the company.

#### **Environmental Proceedings**

The company believes it is remote that the following matters will have a material impact on its financial position, liquidity or results of operations. The descriptions are included per Regulation S-K, Item 103(5)(c) of the Securities Exchange Act of 1934.

##### *La Porte Plant, La Porte, Texas - EPA Multimedia Inspection*

The EPA conducted a multimedia inspection at the La Porte facility in January 2008. DuPont, EPA and DOJ began discussions in the fall 2011 relating to the management of certain materials in the facility's waste water treatment system, hazardous waste management, flare and air emissions. These negotiations continue.

##### *Sabine Plant, Orange, Texas - EPA Multimedia Inspection*

In June 2012, DuPont began discussions with EPA and DOJ related to a multimedia inspection that EPA conducted at the Sabine facility in March 2009 and December 2015. The discussions involve the management of materials in the facility's waste water treatment system, hazardous waste management, flare and air emissions, including leak detection and repair. These negotiations continue.

##### *La Porte Plant, La Porte, Texas - OSHA Release Incident Citations*

In May 2015, the Occupational Safety & Health Administration (OSHA) cited the company in connection with the November 2014 release for 14 violations (twelve serious, one repeat and one other-than-serious) with an aggregate associated penalty of \$99,000. The company has contested the citations and the matter is before the U.S. Occupational Safety and Health Review Commission (the OSHRC). A hearing before an administrative law judge appointed by OSHRC is scheduled for the first quarter 2017.

##### *La Porte Plant, La Porte, Texas - OSHA Process Safety Management (PSM) Audit*

In 2015, OSHA conducted a PSM audit of the Crop Protection and Fluoroproducts units at the La Porte Plant. In July 2015, OSHA cited the company for three willful, one repeat and five serious PSM violations and placed the company in its Severe Violator Enforcement Program. OSHA has proposed a penalty of \$273,000. The company has contested the citations and the matter is before the OSHRC. A hearing before an administrative law judge appointed by OSHRC is scheduled for the first quarter 2017.

## Part II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

#### Market for Registrant's Common Equity and Related Stockholder Matters

The company's common stock is listed on the New York Stock Exchange, Inc. (symbol DD). The number of record holders of common stock was approximately 59,000 at January 31, 2017.

Holders of the company's common stock are entitled to receive dividends when they are declared by the Board of Directors. While it is not a guarantee of future conduct, the company has continuously paid a quarterly dividend since the fourth quarter 1904. Dividends on common stock and preferred stock are usually declared in January, April, July and October. When dividends on common stock are declared, they are usually paid mid-March, June, September and December. Preferred dividends are paid on or about the 25th of January, April, July and October. The Stock Transfer Agent and Registrar is Computershare Trust Company, N.A.

The company's quarterly high and low trading stock prices and dividends per common share for 2016 and 2015 are shown below.

	Market Prices <sup>1</sup>		Per Share Dividend Declared
	High	Low	
<b>2016</b>			
Fourth Quarter	\$ 75.86	\$ 66.19	\$ 0.38
Third Quarter	71.09	61.12	0.38
Second Quarter	69.40	61.62	0.38
First Quarter	65.70	50.71	0.38
<b>2015</b>			
Fourth Quarter	\$ 75.72	\$ 47.43	\$ 0.38 <sup>2</sup>
Third Quarter	61.93	47.11	0.38 <sup>2</sup>
Second Quarter	75.80	63.55	0.49
First Quarter	80.65	70.19	0.47

<sup>1</sup> Historical market prices do not reflect any adjustment for the impact of the spin-off of The Chemours Company (Chemours).

<sup>2</sup> Per share dividend declared includes impact of the spin-off of Chemours.

#### Issuer Purchases of Equity Securities

In connection with the completion of the spin-off of Chemours, the Board of Directors authorized the use of the distribution proceeds received from Chemours to buy back about \$4 billion shares of the company's common stock as follows: \$2 billion to be purchased and retired by December 31, 2015 with the remainder to be purchased and retired by December 31, 2016. During 2015, the company purchased and retired 35 million shares through a \$2 billion accelerated share repurchase agreement. The company had limited opportunity to repurchase shares in 2016, primarily due to the planned merger with The Dow Chemical Company (Dow). However, during 2016, the company purchased and retired 13.2 million shares in the open market for a cost of \$916 million. As of January 1, 2017, the share authorization under this buyback program has expired.

In January 2014, the company's Board of Directors authorized a \$5 billion share buyback plan. The company purchased and retired 34.7 million shares for a total cost of \$2.4 billion under this program. As a result, \$2.6 billion buyback authority remains under this program. There is no required completion date for purchases under this plan.

See Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, on page 40 of this report and Note 16 to the Consolidated Financial Statements for additional information.

## Part II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES, *continued*

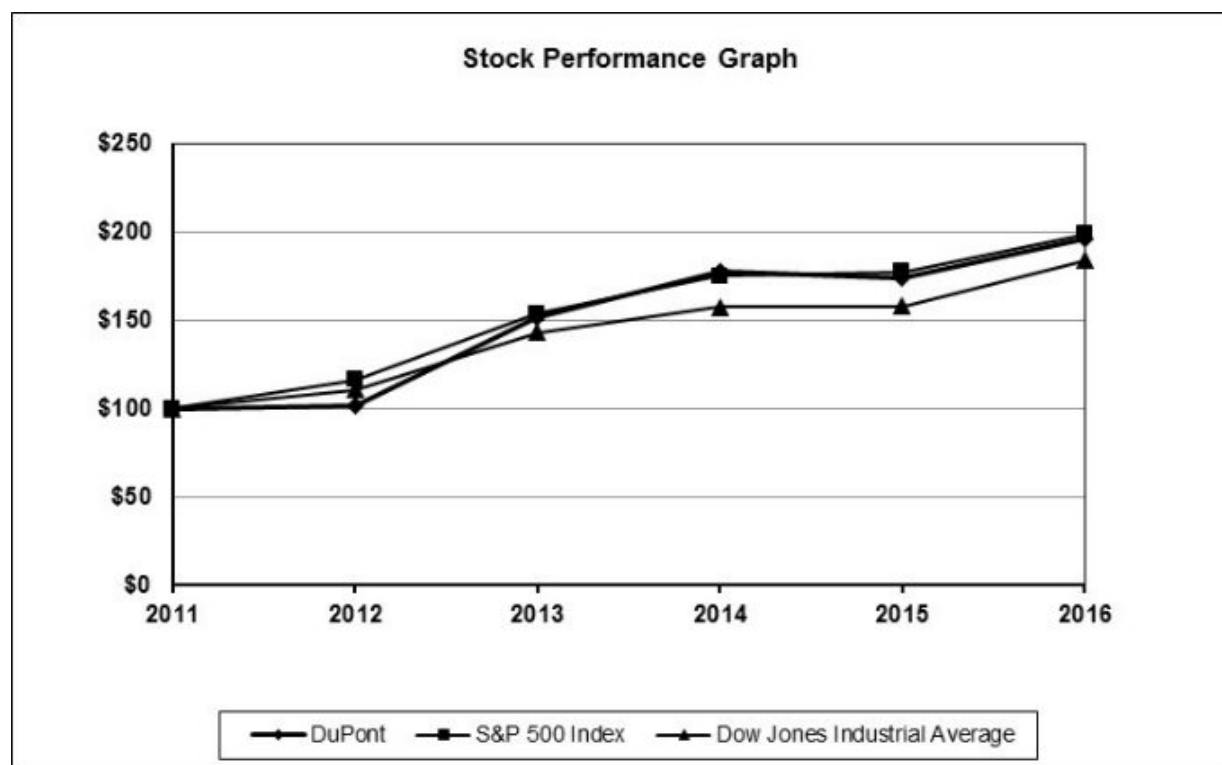
The following table summarizes information with respect to the company's purchase of its common stock during the three months ended December 31, 2016 :

Month	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Value of Shares that May Yet Be Purchased Under the Program <sup>(1)</sup> (Dollars in millions)
November:				
Open Market Purchases	5,752,436	\$ 69.48	5,752,436	
December:				
Open Market Purchases	1,386,149	\$ 72.35	1,386,149	
<b>Total</b>	<b>7,138,585</b>		<b>7,138,585</b>	<b>\$ 2,647</b>

<sup>1</sup>. Represents approximate value of shares that may yet be purchased under the 2014 plan.

#### Stock Performance Graph

The following graph presents the cumulative five-year total shareholder return for the company's common stock compared with the S&P 500 Stock Index and the Dow Jones Industrial Average.



	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016
DuPont	\$ 100	\$ 102	\$ 152	\$ 178	\$ 173	\$ 196
S&P 500 Index	100	116	154	175	177	198
Dow Jones Industrial Average	100	110	143	157	158	184

The graph assumes that the values of DuPont common stock, the S&P 500 Stock Index and the Dow Jones Industrial Average were each \$100 on December 31, 2011 and that all dividends were reinvested.

## Part II

### ITEM 6. SELECTED FINANCIAL DATA

<i>(Dollars in millions, except per share)</i>	2016	2015	2014	2013	2012
<b>Summary of operations <sup>1</sup></b>					
Net sales	\$ 24,594	\$ 25,130	\$ 28,406	\$ 28,998	\$ 27,610
Employee separation / asset related charges, net	\$ 552	\$ 810	\$ 476	\$ 112	\$ 457
Income from continuing operations before income taxes	\$ 3,265	\$ 2,591	\$ 4,313	\$ 2,566	\$ 1,290
Provision for income taxes on continuing operations	\$ 744	\$ 696	\$ 1,168	\$ 360	\$ 122
Net income attributable to DuPont	\$ 2,513	\$ 1,953	\$ 3,625	\$ 4,848	\$ 2,755
Basic earnings per share of common stock from continuing operations	\$ 2.86	\$ 2.10	\$ 3.42	\$ 2.36	\$ 1.21
Diluted earnings per share of common stock from continuing operations	\$ 2.85	\$ 2.09	\$ 3.39	\$ 2.34	\$ 1.20
<b>Financial position at year-end</b>					
Working capital <sup>2,3</sup>	\$ 8,220	\$ 7,071	\$ 8,220	\$ 10,055	\$ 6,866
Total assets	\$ 39,964	\$ 41,166	\$ 50,490	\$ 52,142	\$ 50,339
Borrowings and capital lease obligations					
Short-term	\$ 429	\$ 1,165	\$ 1,422	\$ 1,721	\$ 1,275
Long-term	\$ 8,107	\$ 7,642	\$ 9,233	\$ 10,699	\$ 10,429
Total equity	\$ 10,196	\$ 10,200	\$ 13,378	\$ 16,286	\$ 10,299
<b>General</b>					
<b>For the year</b>					
Purchases of property, plant & equipment and investments in affiliates	\$ 1,038	\$ 1,705	\$ 2,062	\$ 1,940	\$ 1,890
Depreciation <sup>1</sup>	\$ 939	\$ 978	\$ 1,006	\$ 1,027	\$ 1,065
Research and development expense <sup>1</sup>	\$ 1,641	\$ 1,898	\$ 1,958	\$ 2,037	\$ 2,001
Weighted-average number of common shares outstanding (millions)					
Basic	873	894	915	926	933
Diluted	877	900	922	933	942
Dividends per common share <sup>4</sup>	\$ 1.52	\$ 1.72	\$ 1.84	\$ 1.78	\$ 1.70
<b>At year-end</b>					
Employees (thousands) <sup>5</sup>	46	52	54	55	61
Closing stock price	\$ 73.40	\$ 66.60	\$ 73.94	\$ 64.97	\$ 44.98
Common stockholders of record (thousands)	59	63	66	70	74

<sup>1.</sup> Information has been restated to reflect the impact of discontinued operations, as applicable. See Note 1 to the Consolidated Financial Statements for further information.

<sup>2.</sup> Working capital has been restated to exclude the assets and liabilities related to the Performance Chemicals segment. The assets and liabilities related to the Performance Chemicals business are presented as assets of discontinued operations and liabilities of discontinued operations, respectively, in the Consolidated Balance Sheets for all periods presented. At December 31, 2012, working capital included approximately \$2 billion of net assets related to the Performance Coatings business, of which approximately \$1.3 billion was previously considered to be noncurrent and was classified as held for sale as of December 31, 2012. Working capital at December 31, 2013 includes cash received from the sale of the Performance Coatings business. See Note 3 to the Consolidated Financial Statements for further information.

<sup>3.</sup> Working capital has been restated for all years presented to reflect the impact of the reclassification of deferred tax assets and liabilities from current to non-current in connection with the company's adoption of Accounting Standards Update (ASU) No. 2015-17. See Note 1 to the Consolidated Financial Statements for further information.

<sup>4.</sup> Per share dividend declared in 2015 includes impact of the spin-off of The Chemours Company (Chemours).

<sup>5.</sup> Number of employees excludes employees associated with the Performance Chemicals segment for all periods presented.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### CAUTIONARY STATEMENTS ABOUT FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements which may be identified by their use of words like “plans,” “expects,” “will,” “anticipates,” “believes,” “intends,” “projects,” “estimates” or other words of similar meaning. All statements that address expectations or projections about the future, including statements about the company's strategy for growth, product development, regulatory approval, market position, anticipated benefits of recent acquisitions, timing of anticipated benefits from restructuring actions, outcome of contingencies, such as litigation and environmental matters, expenditures, and financial results, and timing of, as well as expected benefits, including synergies, from the planned merger with The Dow Chemical Company (Dow) and the the separation of the combined company's agriculture business, specialty products business and material science business through a series of tax-efficient transactions (the Intended Business Separations), are forward-looking statements.

Forward-looking statements are based on certain assumptions and expectations of future events which may not be accurate or realized. Forward-looking statements also involve risks and uncertainties, many of which are beyond the company's control. While the list of factors presented here is, and the list of factors presented in the Registration Statement are, considered representative, no such list should be considered to be a complete statement of all potential risks and uncertainties. Unlisted factors may present significant additional obstacles to the realization of forward-looking statements. Consequences of material differences in results as compared with those anticipated in the forward-looking statements could include, among other things, business disruption, operational problems, financial loss, legal liability to third parties and similar risks, any of which could have a material adverse effect on Dow's or DuPont's consolidated financial condition, results of operations, credit rating or liquidity. Some of the important factors that could cause the company's actual results to differ materially from those projected in any such forward-looking statements are:

- Risks related to the agreement entered on December 11, 2015 between DuPont and Dow to effect an all-stock merger of equals, including the completion of the proposed transaction on anticipated terms and timing, the ability to fully and timely realize the expected benefits of the proposed transaction and risks related to the Intended Business Separations contemplated to occur after the completion of the proposed transaction. Important risk factors relating to the proposed transaction and Intended Business Separations include, but are not limited to, (i) the completion of the proposed transaction on anticipated terms and timing, including obtaining regulatory approvals, anticipated tax treatment, unforeseen liabilities, future capital expenditures, revenues, expenses, earnings, synergies, economic performance, indebtedness, financial condition, losses, future prospects, business and management strategies for the management, expansion and growth of the new combined company's operations and other conditions to the completion of the merger, (ii) the various approvals, authorizations and declarations of non-objections from certain regulatory and governmental authorities may not be obtained, on a timely basis or otherwise, including that these regulatory or governmental authorities may impose conditions on the granting of such approvals, including regarding the respective Dow and DuPont businesses to divest certain assets if necessary to obtain certain regulatory approval or otherwise limiting the ability of the combined company to integrate parts of the Dow and DuPont businesses, (iii) the ability of Dow and DuPont to integrate the businesses successfully and to achieve anticipated synergies, risks and costs and pursuit and/or implementation of the potential separations, including anticipated timing, any changes to the configuration of businesses included in the potential separation if implemented, (iv) the intended separation of the agriculture, material science and specialty products businesses of the combined company post-mergers in one or more tax efficient transactions on anticipated terms and timing, including a number of conditions which could delay, prevent or otherwise adversely affect the proposed transactions, including possible issues or delays in obtaining required regulatory approvals or clearances, disruptions in the financial markets or other potential barriers, (v) continued availability of capital and financing and rating agency actions, (vi) potential business uncertainty, including changes to existing business relationships, during the pendency of the merger that could affect DuPont's financial performance, (vii) certain restrictions during the pendency of the merger that may impact DuPont's ability to pursue certain business opportunities or strategic transactions. These risks, as well as other risks associated with the proposed merger, are more fully discussed in the joint proxy statement/prospectus included in the Registration Statement.
- Volatility in energy and raw material prices;
- Failure to develop and market new products and optimally manage product life cycles;
- Outcome of significant litigation and environmental matters, including those related to divested businesses, including realization of associated indemnification assets, if any;
- Failure to appropriately manage process safety and product stewardship issues;
- Ability to obtain and maintain regulatory approval for its products especially in the Agriculture segment;
- Failure to realize all of the expected benefits from cost and productivity initiatives to the extent and as anticipated;
- Effect of changes in tax, environmental and other laws and regulations or political conditions in the United States of America (U.S.) and other countries in which the company operates;

## Part II

### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

- Conditions in the global economy and global capital markets, including economic factors such as inflation, deflation, fluctuation in currency rates, interest rates and commodity prices;
- Failure to appropriately respond to market acceptance, government rules, regulations and policies affecting products based on biotechnology;
- Impact of business disruptions, including supply disruptions, and security threats, regardless of cause, including acts of sabotage, cyber-attacks, terrorism or war, natural disasters and weather events and patterns which could affect demand as well as availability of product, particularly in the Agriculture segment;
- Ability to discover, develop and protect new technologies and enforce the company's intellectual property rights; and
- Successful integration of acquired businesses and separation of underperforming or non-strategic assets or businesses.

For some of the important factors that could cause the company's actual results to differ materially from those projected in any such forward-looking statements, see the Risk Factors discussion set forth under Part I, Item 1A beginning on page 9.

#### Overview

**DuPont Dow Merger of Equals** On December 11, 2015, DuPont and Dow announced entry into an Agreement and Plan of Merger (the Merger Agreement), under which the companies will combine in an all-stock merger of equals (the Merger Transaction), subject to satisfaction of customary closing conditions, including receipt of regulatory approval. The combined company will be named DowDuPont Inc. (DowDuPont). DuPont's special meeting of stockholders was held on July 20, 2016, which resulted in a vote for adoption of the Merger Agreement and approval of related matters. Closing of the Merger Transaction is expected to occur in the first half of 2017, pending satisfaction of customary closing conditions, including receipt of regulatory approval.

Following the consummation of the merger, Dow and DuPont intend to pursue, subject to the receipt of approval by the board of directors of DowDuPont, the separation of the combined company's agriculture business, specialty products business and material science business through a series of tax-efficient transactions (the Intended Business Separations). Dow and DuPont currently anticipate that the Intended Business Separations will occur about 18 months after the merger is consummated.

During the years ended December 31, 2016 and 2015, the company incurred \$386 million and \$10 million, respectively, of costs in connection with the planned merger with Dow and the Intended Business Separations, including costs relating to integration and separation planning. These costs were recorded in selling, general and administrative expenses in the company's Consolidated Income Statements and primarily include financial advisory, legal, accounting, consulting and other advisory fees and expenses.

See the discussion entitled DuPont Dow Merger of Equals under Part 1, Item 1 Business of this report, Part 1, Item 1A, Risk Factors, and Note 2 to the Consolidated Financial Statements for further details and a discussion of some of the risks related to the transaction.

**Purpose** DuPont's businesses serve markets where the increasing demand for more and healthier food, renewably sourced materials and fuels, and advanced industrial materials is creating substantial growth opportunities. The company's unique combination of sciences, proven research and development (R&D) engine, broad global reach, and deep market penetration are distinctive competitive advantages that position the company to continue capitalizing on this enormous potential.

DuPont has dramatically refined its portfolio to focus investment in areas where it sees significant opportunity and secular growth; enhanced its innovation platform to deliver substantial revenues from new products; increased focus on efficiency, cost discipline, and accountability; and expanded markets geographically.

The company is committed to maintaining a strong balance sheet and to return excess cash to shareholders unless there is a compelling opportunity to invest for growth.

**Results** DuPont 2016 sales were \$24.6 billion, 2 percent below last year, reflecting a 1 percent decline from the negative impact of weaker currencies and a 1 percent decline due to lower prices and product mix. Volume growth in Performance Materials, Nutrition & Health, and Industrial Biosciences was offset by declines in the other segments. Income from continuing operations before taxes of \$3.3 billion was up 26 percent versus \$2.6 billion in prior year, on cost savings and lower pension and other post employment benefits (OPEB) costs. Pension and OPEB costs were down 63 percent year over year, primarily due to curtailment gains recognized as a result of changes made to the U.S. Pension and OPEB benefits in 2016.



## Part II

### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, *continued*

#### Analysis of Operations

**2016 Global Cost Savings and Restructuring Plan** On December 11, 2015, DuPont announced a 2016 global cost savings and restructuring plan (the 2016 global cost savings and restructuring plan) designed to reduce costs in 2016 by \$730 million compared with 2015, which represents a reduction of operating costs on a run-rate basis of about \$1.0 billion by the end of 2016. As part of the plan, the company committed to take structural actions across all businesses and staff functions globally to operate more efficiently by further consolidating businesses and aligning staff functions more closely with them. In connection with the restructuring actions, the company recorded a pre-tax charge to earnings of \$798 million in the fourth quarter 2015, comprised of \$656 million of severance and related benefit costs, \$109 million of asset related charges, and \$33 million of contract termination costs. During the year ended December 31, 2016, in connection with the restructuring actions, the company recorded a net pre-tax benefit to earnings of \$85 million, comprised of a net reduction of \$154 million in severance and related benefit costs, offset by \$53 million of asset related charges, and \$16 million of contract termination costs. This was primarily due to a reduction in severance and related benefit costs partially offset by the identification of additional projects in certain segments. The reduction in severance and related benefit costs was driven by elimination of positions at a lower cost than expected as a result of redeployments and attrition as well as lower than estimated individual severance costs.

The 2016 global cost savings and restructuring plan delivered the target cost reductions versus prior year. The restructuring actions associated with this charge affected approximately 10 percent of DuPont's workforce and are now substantially complete.

**Redesign Initiative and 2014 Restructuring Plan** In June 2014, DuPont announced its global, multi-year initiative to redesign its global organization and operating model to reduce costs and improve productivity and agility across all businesses and functions. DuPont commenced a restructuring plan to realign and rebalance staff function support, enhance operational efficiency, and to reduce residual costs associated with the separation of its Performance Chemicals segment. As a result, during the year ended December 31, 2014, a pre-tax charge of \$541 million was recorded. Cost reductions from the 2014 operational redesign were essentially completed during 2015 and for full year 2015, the company delivered incremental cost savings of approximately \$440 million year over year. Additional details related to this plan can be found in Note 4 to the Consolidated Financial Statements.

**Separation of Performance Chemicals** In October 2013, DuPont announced its intention to separate its Performance Chemicals segment through a U.S. tax-free spin-off to shareholders, subject to customary closing conditions. In July 2015, DuPont completed the separation of its Performance Chemicals segment through the spin-off of all of the issued and outstanding stock of The Chemours Company (Chemours).

## Part II

### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, *continued*

<i>(Dollars in millions)</i>	2016	2015	2014
<b>NET SALES</b>	\$ 24,594	\$ 25,130	\$ 28,406

**2016 versus 2015** The table below shows a regional breakdown of 2016 consolidated net sales based on location of customers and percentage variances from prior year:

<i>(Dollars in billions)</i>	2016 Net Sales	Percent Change vs. 2015	Percent Change Due to:			
			Local Price and Product Mix	Currency	Volume	Portfolio and Other
Worldwide	\$ 24.6	(2)	(1)	(1)	—	—
U.S. & Canada	10.4	(3)	(2)	—	—	(1)
EMEA <sup>1</sup>	5.7	(5)	1	(3)	(2)	(1)
Asia Pacific	5.8	3	(1)	(1)	4	1
Latin America	2.7	(3)	2	(2)	(2)	(1)

<sup>1</sup> Europe, Middle East, and Africa (EMEA).

Net sales of \$24.6 billion were 2 percent below prior year, reflecting a 1 percent reduction due to currency and a 1 percent decrease due to lower local prices. Negative currency impact was primarily due to the weaker European euro, Mexican peso, and Chinese yuan, partly offset by the stronger Japanese yen and Brazilian real. The 1 percent negative impact from lower local prices primarily reflects lower prices in Performance Materials, largely polymers, lower Electronics & Communications prices and flat prices for Agriculture where higher prices in EMEA and Latin America were offset by declines in North America. Worldwide volume was flat as growth in Performance Materials, Nutrition & Health, and Industrial Biosciences was offset by lower volume in Electronics & Communications, Protection Solutions, and Agriculture, the latter due to lower sales of crop protection products. Net sales in developing markets, were \$8.4 billion, up 2 percent, with 4 percent higher volume, principally due to strong growth in Agriculture, Performance Materials, Electronics & Communications, and Nutrition & Health, in developing Asia Pacific. Sales growth in developing markets was partly offset by a negative currency impact. Representing 34 percent of total company sales, developing markets include China, India, and countries in Southeast Asia, Latin America, Eastern and Central Europe, Middle East, and Africa.

## Part II

### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, *continued*

**2015 versus 2014** The table below shows a regional breakdown of 2015 consolidated net sales based on location of customers and percentage variances from prior year:

(Dollars in billions)	2015 Net Sales	Percent Change vs. 2014	Percent Change Due to:			
			Local Price and Product Mix	Currency	Volume	Portfolio and Other
Worldwide	\$ 25.1	(12)	—	(7)	(3)	(2)
U.S. & Canada	10.8	(6)	(2)	(1)	(2)	(1)
EMEA <sup>1</sup>	6.0	(17)	2	(15)	(2)	(2)
Asia Pacific	5.6	(9)	(2)	(3)	(2)	(2)
Latin America	2.7	(23)	2	(15)	(9)	(1)

<sup>1</sup> Europe, Middle East, and Africa (EMEA).

Net sales of \$25.1 billion were down 12 percent versus prior year reflecting a 7 percent negative impact from weaker currencies, particularly the Brazilian real and the European euro, 3 percent lower volume and a 2 percent negative impact from the absence of sales from divested businesses. Lower volume principally reflects a 6 percent decline in Agriculture that was primarily driven by lower seed volume and reduced demand for insect control products in Latin America, a 7 percent decline in volumes for Electronics & Communications, primarily driven by competitive pressures impacting sales of Solamet<sup>®</sup> paste, and a 2 percent decline in volumes for Industrial Biosciences due to lower demand for biomaterials and clean technologies offerings. These declines more than offset volume growth for Performance Materials, Nutrition & Health, and Protection Solutions. Portfolio and other reflects the impact of the prior year sales of Glass Laminating Solutions/Vinyls within the Performance Materials segment and Sontara<sup>®</sup> within the Protection Solutions segment. The impact from local prices and product mix was about even with prior year as 3 percent higher Agriculture prices were offset primarily by lower prices in Performance Materials and Electronics & Communications. Net sales in developing markets were \$8.2 billion, 33 percent of total company net sales versus 34 percent in 2014, representing a slight decline principally due to lower Agriculture volume in Latin America. Developing markets include China, India, countries located in Latin America, Eastern and Central Europe, Middle East, Africa and South East Asia.

(Dollars in millions)	2016	2015	2014
<b>COST OF GOODS SOLD</b>	\$ 14,469	\$ 15,112	\$ 17,023
As a percent of net sales	59%	60%	60%

**2016 versus 2015** Cost of goods sold (COGS) decreased \$0.6 billion, or 4 percent, principally due to lower raw material costs, lower pension and OPEB costs, and the strengthening of the U.S. dollar versus global currencies. COGS as a percentage of sales was 59 percent versus 60 percent last year, principally due to lower raw material costs and lower pension and OPEB costs.

**2015 versus 2014** COGS decreased \$1.9 billion, or 11 percent, principally reflecting declines from currency due to the strengthening of the U.S. dollar versus global currencies, productivity improvements, impacts of portfolio changes, lower volume and lower raw material costs. COGS as a percent of sales was unchanged from prior year at 60 percent as the benefit of productivity improvements offset the negative impact of currency which decreased sales by 7 percent and COGS by 4 percent.

(Dollars in millions)	2016	2015	2014
<b>OTHER OPERATING CHARGES</b>	\$ 686	\$ 459	\$ 645
As a percent of net sales	3%	2%	2%

**2016 versus 2015** Other operating charges increased \$227 million, or 49 percent, reflecting a \$152 million decrease in Imprelis<sup>®</sup> herbicide insurance recoveries, and a \$23 million reduction in the estimated liability related to Imprelis<sup>®</sup> herbicide claims versus a \$130 million accrual reduction in the prior year.

**2015 versus 2014** Other operating charges decreased \$186 million, or 29 percent, principally reflecting \$130 million reduction in the estimated liability related to Imprelis<sup>®</sup> herbicide claims, cost savings from the company's operational redesign initiative partially offset by lower insurance recoveries year over year related to Imprelis<sup>®</sup> herbicide claims.

## Part II

### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, *continued*

<i>(Dollars in millions)</i>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>	\$ 4,319	\$ 4,615	\$ 4,891
As a percent of net sales	18%	18%	17%

**2016 versus 2015** The \$296 million decrease was primarily due to lower costs related to the 2016 global cost savings and restructuring plan, lower selling expense, and a decrease in pension and OPEB costs, partially offset by \$386 million of transaction costs associated with the planned merger with Dow.

**2015 versus 2014** The \$276 million decrease was primarily due to the strengthening of the U.S. dollar versus global currencies, cost savings from the company's 2014 operational redesign initiative, and lower selling and commission expense, mainly within the Agriculture segment, partially offset by an increase in pension and OPEB costs. Selling, general and administrative expenses as a percentage of net sales increased by 1 percent, primarily due to lower sales and higher pension and OPEB costs.

<i>(Dollars in millions)</i>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>RESEARCH AND DEVELOPMENT EXPENSE</b>	\$ 1,641	\$ 1,898	\$ 1,958
As a percent of net sales	7%	8%	7%

**2016 versus 2015** The \$257 million decrease was primarily due to lower costs related to the 2016 global cost savings and restructuring plan, a decrease in pension and OPEB costs and the strengthening of the U.S. dollar versus global currencies. Research and development expense as a percent of sales decreased 1 percent, primarily due to cost savings from the company's 2016 global cost savings and restructuring plan and a decrease in pension and OPEB costs.

**2015 versus 2014** The \$60 million decrease was primarily due to the strengthening of the U.S. dollar versus global currencies, cost savings from the company's operational redesign initiative, partially offset by higher pension and OPEB costs. Research and development expense as a percent of sales increased due to lower sales.

<i>(Dollars in millions)</i>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>OTHER INCOME, NET</b>	\$ 708	\$ 697	\$ 1,277

**2016 versus 2015** The \$11 million increase was primarily due to gains on sales of businesses and other assets, including a \$369 million gain on the sale of DuPont (Shenzhen) Manufacturing Limited, partially offset by an increase in pre-tax exchange losses and the absence of a \$145 million gain associated with the company's settlement of a legal claim in the prior year related to the Protection Solutions segment. Pre-tax exchange losses increased \$136 million compared to prior year. See Notes 5 and 19 to the Consolidated Financial Statements for further discussion of the company's policy of hedging the foreign currency-denominated monetary assets and liabilities.

**2015 versus 2014** The \$580 million decrease was primarily due to the absence of prior year gains on sales of businesses and other assets, including a \$391 million gain on the sale of GLS/Vinyls, within the Performance Materials segment, and a \$240 million gain on the sale of copper fungicides and land management businesses, both within the Agriculture segment, partially offset by gains on sales of businesses and assets in 2015, primarily in the Agriculture and Performance Materials segments. In addition, pre-tax exchange gains decreased \$166 million compared to prior year driven by lower gains on foreign currency exchange contracts. See Notes 5 and 19 to the Consolidated Financial Statements for further discussion of the company's policy of hedging the foreign currency-denominated monetary assets and liabilities. These decreases were partially offset by \$145 million gain associated with the company's settlement of a legal claim related to the Protection Solutions segment and \$85 million increase in equity in earnings of affiliates, primarily due to the absence of \$65 million for charges associated with the restructuring actions of a joint venture within the Performance Materials segment recorded in 2014.

Additional information related to the company's other income, net is included in Note 5 to the Consolidated Financial Statements.

## Part II

### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, *continued*

<i>(Dollars in millions)</i>	2016	2015	2014
<b>INTEREST EXPENSE</b>	\$ 370	\$ 342	\$ 377

The \$28 million increase in 2016 was primarily due to lower capitalized interest related to construction projects partially offset by lower interest on borrowings.

The \$35 million decrease in 2015 was primarily due to lower average borrowings partially offset by slightly higher average interest rates compared to prior year.

<i>(Dollars in millions)</i>	2016	2015	2014
<b>EMPLOYEE SEPARATION/ASSET RELATED CHARGES, NET</b>	\$ 552	\$ 810	\$ 476

The \$552 million in charges recorded during 2016 in employee separation / asset related charges, net consist of \$593 million of asset impairment charges discussed below, and a \$68 million charge related to the decision to not re-start the Agriculture segment's insecticide manufacturing facility at the La Porte site located in La Porte, Texas. These charges were partially offset by a net \$88 million benefit related to the 2016 restructuring plan, primarily due to a reduction in severance and related benefit costs driven by the elimination of positions at a lower cost than expected, and a \$21 million benefit related to the 2014 restructuring plan for adjustments to the previously recognized severance costs.

The \$810 million in charges recorded during 2015 in employee separation / asset related charges, net consist of a \$793 million charge related to the 2016 restructuring plan discussed below, and a \$38 million impairment charge discussed below, partly offset by a \$21 million net benefit related to the 2014 restructuring plan. The \$21 million net benefit was recorded to adjust the estimated costs associated with the 2014 restructuring program due to lower than estimated individual severance costs and workforce reductions achieved through non-severance programs, offset by the identification of additional projects in certain segments.

On December 11, 2015, DuPont announced a 2016 global cost savings and restructuring plan designed to reduce \$730 million in costs compared to 2015. As part of the plan, the company committed to take structural actions across all businesses and staff functions globally to operate more efficiently by further consolidating businesses and aligning staff functions more closely with them. As a result, during the year ended December 31, 2015, a pre-tax charge of \$798 million was recorded, consisting of \$793 million of employee separation / asset related charges, net and \$5 million in other income, net. The charges consisted of \$656 million in severance and related benefit costs, \$109 million in asset related charges, and \$33 million in contract termination charges.

The \$476 million in charges recorded during 2014 in employee separation / asset related charges, net related to the 2014 global, multi-year initiative to redesign its global organization and operating model to improve productivity and agility across all businesses and functions. DuPont commenced a restructuring plan to realign and rebalance staff function support, enhance operational efficiency, and to reduce residual costs associated with the separation of its Performance Chemicals segment. As a result, during the year ended December 31, 2014, a pre-tax charge of \$541 million was recorded, consisting of \$476 million in employee separation / asset related charges, net and \$65 million in other income, net. The charges consisted of \$301 million severance and related benefit costs, \$17 million of other non-personnel costs, and \$223 million of asset related costs, including \$65 million of costs associated with the restructuring actions of a joint venture within the Performance Materials segment.

#### Asset Impairments

During 2016, the company recorded an asset impairment charge of \$435 million related to its uncompleted enterprise resource planning (ERP) system. The company intends to complete the ERP system project, however, given the uncertainties related to timing as well as potential developments and changes to technologies in the market place at the time of restart, use of the ERP system can no longer be considered probable. See Note 4 to the Consolidated Financial Statements for additional details related to this charge.

During 2016, the company recorded a \$158 million impairment charge related to indefinite-lived intangible trade names within the Industrial Biosciences segment as a result of the realignment of brand marketing strategies and a determination to phase out the use of certain acquired trade names.

During 2015, the company recorded an impairment charge of \$38 million in the Other segment, the majority relating to an impairment of a cost basis investment.

## Part II

### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, *continued*

Additional details related to the restructuring programs and asset impairments discussed above can be found in Note 4 to the Consolidated Financial Statements.

Below is a summary of the net impact related to items recorded in employee separation / asset related charges, net:

<i>(Dollars in millions)</i>	2016 (Charges) and Credits	2015 (Charges) and Credits	2014 (Charges) and Credits
Agriculture	\$ (85)	\$ (164)	\$ (134)
Electronics & Communications	4	(78)	(84)
Industrial Biosciences	(152)	(61)	(20)
Nutrition & Health	9	(50)	(15)
Performance Materials	3	(58)	(34)
Protection Solutions	14	(40)	(45)
Other	(11)	(40)	(10)
Corporate expenses	(334)	(319)	(134)
Total Charges	\$ (552)	\$ (810)	\$ (476)

<i>(Dollars in millions)</i>	2016	2015	2014
<b>PROVISION FOR INCOME TAXES ON CONTINUING OPERATIONS</b>	\$ 744	\$ 696	\$ 1,168
Effective income tax rate	22.8%	26.9%	27.1%

In 2016, the company recorded a tax provision on continuing operations of \$744 million, reflecting a marginal increase from 2015. The decrease in the 2016 effective tax rate compared to 2015 was largely due to the impact of reduced net exchange losses recognized on the re-measurement of net monetary asset positions which were not tax deductible in the relevant local jurisdictions.

In 2015, the company recorded a tax provision on continuing operations of \$696 million, reflecting a \$472 million decrease from 2014. The decrease was largely due to the impact associated with the company's policy of hedging the foreign currency-denominated monetary assets and liabilities of its operations, the absence of 2014 gains on sales of businesses and other assets in the Performance Materials and Agriculture segments, as well as increased tax benefits on employee separation / asset related charges.

See Note 6 to the Consolidated Financial Statements for additional details related to the provision for income taxes on continuing operations, as well as items that significantly impact the company's effective income tax rate.

<i>(Dollars in millions)</i>	2016	2015	2014
<b>INCOME FROM CONTINUING OPERATIONS AFTER INCOME TAXES</b>	\$ 2,521	\$ 1,895	\$ 3,145

Income from continuing operations after income taxes for 2016 was \$2.5 billion compared to \$1.9 billion in 2015 and \$3.1 billion in 2014. The changes between periods were due to the reasons noted above.

## Part II

### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, *continued*

#### **Corporate Outlook**

Globally, GDP and industrial production are expected to grow 2.7 and 2.4 percent, respectively, in 2017. The company expects this growth will be challenged by the current difficult global economic conditions in agriculture, economic uncertainty in the U.S., political and economic uncertainty in Europe and slowing conditions in China from the continued shift of industrial production to services and consumer sectors. The company expects headwinds from currency due to the continued strengthening of the U.S. dollar against most currencies.

In the agriculture sector, commodity prices are under pressure from record yields and crop productions. As farmers look to relative economics between crop alternatives, the company expects them to favor soybeans over corn in North America which is generally less favorable to the company's overall income from continuing operations. In crop protection, the company expects the industry decline to ease in 2017, but continues to be negatively impacted by high inventory levels, a stronger U.S. dollar, and the continued penetration of insect-resistant soybeans.

In the auto sector, according to IHS, auto growth is expected to slow in 2017, with 1 percent growth year over year.

As the company prepares for the close of the planned merger with Dow, the company expects income from continuing operations in 2017 to be impacted by transaction related costs associated with the merger and the Intended Business Separations, including costs related to integration and separation planning.

#### **Recent Accounting Pronouncements**

See Note 1 to the Consolidated Financial Statements for a description of recent accounting pronouncements.

## Part II

### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, *continued*

#### Segment Reviews

Segment operating earnings is defined as income (loss) from continuing operations before income taxes excluding significant pre-tax benefits (charges), non-operating pension and OPEB costs, exchange gains (losses), corporate expenses and interest. Non-operating pension and OPEB costs includes all of the components of net periodic benefit cost from continuing operations with the exception of the service cost component. See Note 21 to the Consolidated Financial Statements for details related to significant pre-tax benefits (charges) excluded from segment operating earnings. All references to prices are based on local price unless otherwise specified.

A reconciliation of segment operating earnings to income from continuing operations before income taxes for 2016 , 2015 and 2014 is included in Note 21 to the Consolidated Financial Statements.

DuPont Sustainable Solutions, previously within the company's former Safety & Protection segment (now Protection Solutions), was comprised of two business units: clean technologies and consulting solutions. Effective January 1, 2016, the clean technologies business unit became part of the Industrial Biosciences segment with the focus on working with customers to improve the performance, productivity and sustainability of their products and processes. The company is exploring a range of options to maximize the growth of the consulting solutions business unit which effective January 1, 2016 is reported within Other. Reclassifications of prior year data have been made to conform to current year classifications.



## Part II

### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, *continued*

#### AGRICULTURE

<i>(Dollars in millions)</i>	2016	2015	2014
<b>Net sales</b>	\$ 9,516	\$ 9,798	\$ 11,296
<b>Operating earnings</b>	\$ 1,758	\$ 1,646	\$ 2,352
<b>Operating earnings margin</b>	18%	17%	21%

	2016	2015
<b>Change in net sales from prior period due to:</b>		
Local Price and Product Mix	— %	3 %
Currency	(2)%	(9)%
Volume	(1)%	(6)%
Portfolio and Other	— %	(1)%
Total change	(3)%	(13)%

**2016 versus 2015** Full year 2016 segment net sales of \$9.5 billion decreased 3 percent, primarily due to the negative impact of currency and lower crop protection volumes. Lower crop protection volumes are primarily due to lower insecticide volumes from low pest pressure and high inventories, and lower fungicide volumes. Seed volumes were flat year over year as increased corn seed volumes in Latin America and North America due to higher acreage and new product launches, were offset by the shift in timing of seed sales primarily related to the southern U.S. route-to-market change and lower soybean volumes. The shift in timing moved approximately \$200 million of sales from fourth quarter 2016 to first quarter 2017.

2016 operating earnings and operating earnings margin increased as cost savings and lower product costs were partially offset by timing of seed deliveries, primarily related to the southern U.S. route-to-market change and the negative impact of currency.

**2015 versus 2014** Full year 2015 segment net sales of \$9.8 billion decreased \$1.5 billion, or 13 percent, primarily due to the negative impact of currency and lower seed and crop protection volumes, primarily in Brazil and North America, which were partly offset by higher local corn seed prices. In Brazil, lower corn seed volume reflects the impact of a reduction in summer planted hectares of corn and fall armyworm resistance impacting performance of certain corn hybrids. In North America, lower soybean volume reflects between 1 and 2 points of share loss and lower soybean planted area; lower corn planted area was partially offset by higher local corn seed prices. Lower crop protection volume is primarily due to low expected insect pressure, the adoption of insect protected soybean varieties, higher inventories, and a challenging macro environment. Insect control volumes were also impacted by the shutdown of the La Porte manufacturing facility in Texas.

2015 operating earnings and operating earnings margin decreased primarily due to the negative impact of currency of \$538 million, lower sales, and an approximately \$120 million negative impact of the shutdown of the La Porte manufacturing facility and the absence of prior year impacts from performance-based compensation adjustments, partially offset by cost reductions and continued productivity improvements.

## Part II

### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, *continued*

#### ELECTRONICS & COMMUNICATIONS

<i>(Dollars in millions)</i>	2016	2015	2014
<b>Net sales</b>	\$ 1,960	\$ 2,070	\$ 2,381
<b>Operating earnings</b>	\$ 358	\$ 359	\$ 336
<b>Operating earnings margin</b>	18%	17%	14%

	2016	2015
<b>Change in net sales from prior period due to:</b>		
Local Price and Product Mix	(2)%	(4)%
Currency	— %	(2)%
Volume	(3)%	(7)%
Portfolio and Other	— %	— %
Total change	(5)%	(13)%

**2016 versus 2015** Full year 2016 segment net sales of \$2.0 billion decreased 5 percent, due largely to lower demand for products for the consumer electronics market. In photovoltaics materials, share gains in Solamet<sup>®</sup> paste and higher pricing from the pass-through of higher average metal prices were offset by volume declines in Tedlar<sup>®</sup> film and price pressure in both Solamet<sup>®</sup> and Tedlar<sup>®</sup>.

2016 operating earnings were flat with prior year as cost savings were offset by lower sales and a \$16 million litigation expense. Operating earnings margin increased primarily due to cost savings.

**2015 versus 2014** Full year 2015 segment net sales of \$2.1 billion decreased \$0.3 billion, or 13 percent, primarily due to competitive pressures impacting Solamet<sup>®</sup> paste and lower pricing from the pass-through of lower metals prices and the negative impact of currency, partially offset by volume growth in Tedlar<sup>®</sup> film for photovoltaics and products for the consumer electronics market.

2015 operating earnings and operating earnings margin increased as cost reductions and continued productivity improvements more than offset lower sales.

Part II

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, *continued*

INDUSTRIAL BIOSCIENCES

<i>(Dollars in millions)</i>	2016	2015	2014
Net sales	\$ 1,500	\$ 1,478	\$ 1,624
Operating earnings	\$ 270	\$ 243	\$ 269
Operating earnings margin	18%	16%	17%

	2016	2015
Change in net sales from prior period due to:		
Local Price and Product Mix	— %	(3)%
Currency	(2)%	(4)%
Volume	2 %	(2)%
Portfolio and Other	1 %	— %
Total change	1 %	(9)%

**2016 versus 2015** Full year 2016 segment net sales of \$1.5 billion increased 1 percent, as volume growth in biomaterials and bioactives and portfolio changes were partially offset by weak demand in clean technologies and a negative impact from currency. Volume growth in biomaterials and bioactives was primarily driven by increased demand in apparel markets and for enzymes, principally for food products and home and personal care,

2016 operating earnings and operating earnings margin increased as cost savings and higher sales were partially offset by the negative impact of currency.

**2015 versus 2014** Full year 2015 segment net sales of \$1.5 billion decreased 9 percent, primarily due to the negative impact of currency, lower prices and demand for biomaterials and clean technologies offerings, partially offset by volume growth in enzymes, principally for home and personal care, food markets and ethanol production.

2015 operating earnings and operating earnings margin decreased primarily due to lower sales, partially offset by cost reductions and continued productivity improvements.

## Part II

### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, *continued*

#### NUTRITION & HEALTH

<i>(Dollars in millions)</i>	2016	2015	2014
<b>Net sales</b>	\$ 3,268	\$ 3,256	\$ 3,529
<b>Operating earnings</b>	\$ 504	\$ 373	\$ 369
<b>Operating earnings margin</b>	15%	11%	10%

	2016	2015
<b>Change in net sales from prior period due to:</b>		
Local Price and Product Mix	— %	— %
Currency	(2)%	(9)%
Volume	2 %	2 %
Portfolio and Other	— %	(1)%
Total change	— %	(8)%

**2016 versus 2015** Full year 2016 segment net sales of \$3.3 billion were flat with prior year as broad-based volume growth led by probiotics, ingredient systems, and specialty proteins was offset by the negative impact of currency.

2016 operating earnings and operating earnings margin increased on cost savings, volume growth and a \$27 million gain on the sale of an asset.

**2015 versus 2014** Full year 2015 segment net sales of \$3.3 billion decreased 8 percent, primarily due to the negative impact of currency. Volume growth in probiotics, ingredient systems, texturants and cultures was partially offset by lower volumes in specialty proteins due to competitive challenges.

2015 operating earnings and operating earnings margin increased as cost reductions and continued productivity improvements and volume gains were mostly offset by the negative impact from currency of \$53 million and the absence of the prior year \$18 million gain from the termination of a distribution agreement.

## Part II

### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, *continued*

#### PERFORMANCE MATERIALS

<i>(Dollars in millions)</i>	2016	2015	2014
<b>Net sales</b>	\$ 5,249	\$ 5,305	\$ 6,059
<b>Operating earnings</b>	\$ 1,297	\$ 1,216	\$ 1,267
<b>Operating earnings margin</b>	25%	23%	21%

	2016	2015
<b>Change in net sales from prior period due to:</b>		
Local Price and Product Mix	(3)%	(4)%
Currency	(1)%	(6)%
Volume	3 %	1 %
Portfolio and Other	— %	(3)%
Total change	(1)%	(12)%

**2016 versus 2015** Full year 2016 segment net sales of \$5.3 billion decreased 1 percent, as lower local price, driven by pricing pressure for raw materials pass-through, and a negative impact from currency were partially offset by increased volume for polymers in global automotive markets, primarily in Asia Pacific.

2016 operating earnings and operating earnings margin increased as cost saving and increased volumes were partially offset by a \$63 million negative impact from currency. The net benefit of lower product costs was offset by the absence of \$49 million of benefits from the prior year discussed below.

**2015 versus 2014** Full year 2015 segment net sales of \$5.3 billion decreased \$0.8 billion, or 12 percent, primarily due to the negative impact of currency, lower ethylene pricing and the portfolio impact of the sale of Glass Laminating Solutions/Vinyls (GLS/Vinyls) in June 2014 (see Note 3 to the Consolidated Financial Statements for additional information). Partially offsetting the declines are increased ethylene volumes due to the prior year scheduled outage at the ethylene unit in Orange, Texas and increased demand for polymers in automotive markets, primarily in the U.S. and Europe in the second half of 2015.

2015 operating earnings decreased as cost reductions and continued productivity improvements were more than offset by the negative impact of currency of \$132 million and lower selling prices. 2015 operating earnings includes \$49 million of benefits, comprised of a net benefit from a joint venture, the sale of a business and the realization of tax benefits associated with a manufacturing site. Operating earnings margin increased due primarily to cost reductions and continued productivity improvements.

## Part II

### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, *continued*

#### PROTECTION SOLUTIONS

<i>(Dollars in millions)</i>	2016	2015	2014
<b>Net sales</b>	\$ 2,954	\$ 3,039	\$ 3,304
<b>Operating earnings</b>	\$ 668	\$ 641	\$ 672
<b>Operating earnings margin</b>	23%	21%	20%

	2016	2015
<b>Change in net sales from prior period due to:</b>		
Local Price and Product Mix	(1)%	(1)%
Currency	— %	(4)%
Volume	(2)%	1 %
Portfolio and Other	— %	(4)%
Total change	(3)%	(8)%

**2016 versus 2015** Full year 2016 segment net sales of \$3.0 billion decreased 3 percent, due to lower volume and unfavorable mix. Volume declines in Nomex<sup>®</sup> thermal-resistant fiber, Kevlar<sup>®</sup> high-strength material, and Tyvek<sup>®</sup> protective material, were driven by weakness in the oil and gas industry, military, and industrial market demand. Volume declines were partially offset by volume growth in solid surfaces.

2016 operating earnings and operating earnings margin increased as cost savings were partially offset by lower sales .

**2015 versus 2014** Full year 2015 segment net sales of \$3.0 billion decreased \$0.3 billion, or 8 percent, primarily due to the negative impact of currency and the portfolio impact of the Sontara<sup>®</sup> divestiture. Increased demand for Tyvek<sup>®</sup> protective material, including medical packaging was partially offset by decreased demand for Nomex<sup>®</sup> thermal resistant fiber and Kevlar<sup>®</sup> high strength materials driven by a weakened oil and gas industry and military spending delays.

2015 operating earnings decreased \$31 million, or 5 percent, as cost reductions and continued productivity improvements were more than offset by the negative impact of currency of \$53 million and lower sales. 2015 operating earnings margin increased from prior year due to cost reductions and continued productivity improvements.

## Part II

### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, *continued*

#### Liquidity & Capital Resources

	December 31,	
(Dollars in millions)	2016	2015
<b>Cash, cash equivalents and marketable securities</b>	\$ 5,967	\$ 6,206
<b>Total debt</b>	8,536	8,807

Pursuant to its cash discipline policy, the company seeks first to maintain a strong balance sheet and second, to return excess cash to shareholders unless the opportunity to invest for growth is compelling. The company continually reviews its sources of liquidity and debt portfolio and occasionally may make adjustments to one or both to ensure adequate liquidity and an optimum debt maturity schedule.

The company's credit ratings impact its access to the debt capital markets and cost of capital. The company remains committed to a strong financial position and strong investment-grade rating. The company's long-term and short-term credit ratings are as follows:

	Long-term	Short-term	Outlook
Standard & Poor's	A-	A-2	Credit Watch Negative
Moody's Investors Service	A3	P-2	Negative
Fitch Ratings	A	F1	Rating Watch Negative

The company believes its ability to generate cash from operations and access to capital markets will be adequate to meet anticipated cash requirements to fund working capital, capital spending, dividend payments, share repurchases, debt maturities and other cash needs and that its current strong financial position, liquidity and credit ratings continue to provide access as needed to the capital markets. The company's liquidity needs can be met through a variety of sources, including cash provided by operating activities, cash and cash equivalents, marketable securities, commercial paper, syndicated credit lines, bilateral credit lines, long-term debt markets, bank financing, committed receivable repurchase facilities and asset sales.

The company has access to approximately \$7.9 billion in unused credit lines with several major financial institutions including unused commitments of \$4 billion under the Term Loan Facility described below and a \$3 billion revolving credit facility to support its commercial paper program. These unused credit lines provide additional support to meet short-term liquidity needs and general corporate purposes including letters of credit.

In March 2016, the company entered into a credit agreement that provides for a three-year, senior unsecured term loan facility in the aggregate principal amount of \$4.5 billion (the Term Loan Facility). DuPont may make up to seven term loan borrowings within one year of the closing date and amounts repaid or prepaid are not available for subsequent borrowings. The proceeds from the borrowings under the Term Loan Facility will be used for the company's general corporate purposes including debt repayment, working capital and share repurchases. The Term Loan Facility matures in March 2019 at which time all outstanding borrowings, including accrued but unpaid interest, become immediately due and payable. As of December 31, 2016, the company had borrowed \$0.5 billion and had unused commitments of \$4 billion under the Term Loan Facility.

In addition, in March 2016, the company amended the existing revolving credit facility to reduce the aggregate principal amount of commitments from \$4 billion to \$3 billion consistent with lower expected commercial paper borrowings.

The Term Loan Facility and the amended revolving credit facility contain customary representations and warranties, affirmative and negative covenants, and events of default that are typical for companies with similar credit ratings and generally consistent with those applicable to DuPont's long-term public debt. The Term Loan Facility and the amended revolving credit facility contain a financial covenant requiring that the ratio of Total Indebtedness to Total Capitalization for DuPont and its consolidated subsidiaries not exceed 0.6667. At December 31, 2016, the company was in compliance with this financial covenant.

## Part II

### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, *continued*

The Term Loan Facility and the amended revolving credit facility impose additional affirmative and negative covenants on DuPont and its subsidiaries after the closing of the proposed merger with Dow, subject to certain limitations, including to:

- not sell, lease or otherwise convey to DowDuPont, its shareholders or its non-DuPont subsidiaries, any assets or properties of DuPont or its subsidiaries unless the aggregate amount of revenues attributable to all such assets and properties so conveyed after the merger does not exceed 30 percent of the consolidated revenues of DuPont and its subsidiaries as of December 31, 2015 (the Disposition Limitation); and
- not guarantee any indebtedness or other obligations of DowDuPont, Dow or their respective subsidiaries (other than of DuPont and its subsidiaries).

The Term Loan Facility and the amended revolving credit facility will terminate, and the loans and other amounts thereunder would become due and payable, upon the sale, transfer, lease or other disposition of all or substantially all of the assets of the Agriculture line of businesses to DowDuPont, its shareholders or any of its non-DuPont subsidiaries.

In February 2016, in line with seasonal agricultural working capital requirements, the company entered into a committed receivable repurchase facility of up to \$1 billion (the 2016 repurchase facility) that expired on November 30, 2016. Under the facility, the company sold a portfolio of available and eligible outstanding customer notes receivables within the Agriculture segment to participating institutions and simultaneously agreed to repurchase at a future date. In January 2017, the company entered into a new committed receivable repurchase facility of up to \$1.3 billion (the 2017 repurchase facility) which expires on November 30, 2017. The 2017 repurchase facility has substantially similar terms and conditions as the 2016 repurchase facility and includes the 2016 repurchase facility change of control language conformed to the Disposition Limitation covenant described above. See further discussion of the 2017 repurchase facility in Item 9B, Other Information and Note 23 to the Consolidated Financial Statements.

The company's cash, cash equivalents and marketable securities at December 31, 2016 and 2015 are \$6.0 billion and \$6.2 billion, respectively. Cash, cash equivalents and marketable securities held outside of the U.S. of \$5.8 billion and \$4.2 billion at December 31, 2016 and 2015, respectively, are generally utilized to fund local operating activities and capital expenditure requirements and are expected to support non-U.S. liquidity needs for the next 12 months and the foreseeable future thereafter. The company expects domestic liquidity needs, for at least the next 12 months and the foreseeable future thereafter, will be met through existing cash, cash equivalents and marketable securities held in the U.S. and the various sources of liquidity discussed above. Therefore, the company believes that it has sufficient sources of domestic liquidity to support its assumption that undistributed earnings at December 31, 2016 can be considered reinvested indefinitely.

<i>(Dollars in millions)</i>	2016	2015	2014
<b>Cash provided by operating activities</b>	\$ 3,300	\$ 2,316	\$ 3,712

Cash provided by operating activities increased \$1.0 billion primarily due to a higher earnings contribution of approximately \$0.5 billion, lower year-over-year income tax payments and lower working capital.

Cash provided by operating activities decreased \$1.4 billion in 2015 compared to 2014 primarily due to the absence of Chemours in the second half of 2015 compared with a full year of results in 2014 for an impact of approximately \$1.0 billion and a lower cash earnings contribution from continuing operations of approximately \$0.3 billion.

<i>(Dollars in millions)</i>	2016	2015	2014
<b>Cash used for investing activities</b>	\$ (1,514)	\$ (1,828)	\$ (337)

Cash used for investing activities in 2016 decreased by \$0.3 billion compared to 2015. The change was primarily due to lower purchases of property, plant and equipment, lower net purchases of marketable securities and higher proceeds from sales of businesses and other assets. This is partially offset by cash outflows relating to foreign currency contract settlements. The absence in 2016 of property, plant and equipment expenditures related to Chemours accounted for \$0.2 billion of the reduction.



## Part II

### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, *continued*

Cash used for investing activities in 2015 increased by \$1.5 billion compared to 2014. The change was primarily due to lower proceeds received from the sale of businesses in 2015 compared to 2014 and increased purchases of marketable securities in 2015 compared to 2014. This was partially offset by lower purchases of property, plant and equipment, mainly due to the absence of Chemours in the second half of 2015 which accounted for \$0.3 billion. See Note 19 to the Consolidated Financial Statements for further discussion of marketable securities outstanding at December 31, 2015 and 2014.

Purchases of property, plant and equipment totaled \$1.0 billion, \$1.6 billion and \$2.0 billion in 2016, 2015, and 2014, respectively. The company expects 2017 purchases of property, plant and equipment to be about \$1.1 billion.

<i>(Dollars in millions)</i>	2016	2015	2014
<b>Cash used for financing activities</b>	\$ (2,328)	\$ (1,823)	\$ (5,074)

The \$0.5 billion increase in cash used for financing activities in 2016 was primarily due to lower borrowings as a result of the prior year distribution of approximately \$3.9 billion which Chemours financed through external borrowings and paid to the company prior to its separation. This was partially offset by lower share repurchases and lower dividends paid to stockholders.

The \$3.3 billion decrease in cash used for financing activities in 2015 was primarily due to the distribution of Chemours borrowings to the company as part of the separation, partially offset by a reduction in short term borrowings, and an increase in the repurchase of common stock.

Dividends paid to common and preferred shareholders were \$1.3 billion, \$1.5 billion, and \$1.7 billion in 2016, 2015, and 2014, respectively. Dividends per share of common stock were \$1.52, \$1.72, and \$1.84 in 2016, 2015, and 2014, respectively. In January 2017, the Board of Directors declared a first quarter common stock dividend of \$0.38 per share. With the first quarter 2017 dividend, the company has paid quarterly consecutive dividends since the company's first dividend in the fourth quarter 1904.

In the first quarter 2015, DuPont announced its intention to buy back about \$4 billion of shares using the distribution proceeds received from Chemours. In connection with the completion of the spin-off of Chemours, the Board of Directors authorized the use of the distribution proceeds to buy back shares of the company's common stock as follows: \$2 billion to be purchased and retired by December 31, 2015 with the remainder to be purchased and retired by December 31, 2016. During 2015, the company purchased and retired 35 million shares through a \$2 billion accelerated share repurchase (ASR) agreement. The company had limited opportunity to repurchase shares in 2016, primarily due to the planned merger with Dow. However, during 2016, the company purchased and retired 13.2 million shares in the open market at a cost of \$916 million. As of January 1, 2017, the authorization under this buyback program has expired.

In January 2014, the company's Board of Directors authorized a \$5 billion share buyback plan. During 2014, the company purchased and retired 30.1 million shares for \$2 billion under two separate ASR agreements as well as open market purchases. In 2015, the company repurchased and retired 4.6 million shares in the open market for a total cost of \$353 million. As a result, the company has completed \$2.4 billion of repurchases as of December 31, 2016. There is no required completion date for purchases under this plan.

See Note 16 to the Consolidated Financial Statements for additional information relating to the above share buyback plans.

Part II

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, *continued*

<i>(Dollars in millions)</i>	2016	2015	2014
Cash provided by operating activities	\$ 3,300	\$ 2,316	\$ 3,712
Purchases of property, plant and equipment	(1,019)	(1,629)	(2,020)
<b>Free cash flow</b>	<b>\$ 2,281</b>	<b>\$ 687</b>	<b>\$ 1,692</b>

Free cash flow is a measurement not recognized in accordance with generally accepted accounting principles in the U.S. (GAAP) and should not be viewed as an alternative to GAAP measures of performance. All companies do not calculate non-GAAP financial measures in the same manner and, accordingly, the company's free cash flow definition may not be consistent with the methodologies used by other companies. The company defines free cash flow as cash provided by operating activities less purchases of property, plant and equipment, and therefore indicates operating cash flow available for payment of dividends, other investing activities and other financing activities. Free cash flow is useful to investors and management to evaluate the company's cash flow and financial performance, and is an integral financial measure used in the company's financial planning process.

For further information relating to the change in cash provided by operating activities, see discussion above under cash provided by operating activities.

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, *continued***

**Critical Accounting Estimates**

The company's significant accounting policies are more fully described in Note 1 to the Consolidated Financial Statements. Management believes that the application of these policies on a consistent basis enables the company to provide the users of the financial statements with useful and reliable information about the company's operating results and financial condition.

The preparation of the Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts, including, but not limited to, receivable and inventory valuations, impairment of tangible and intangible assets, long-term employee benefit obligations, income taxes, restructuring liabilities, environmental matters and litigation. Management's estimates are based on historical experience, facts and circumstances available at the time and various other assumptions that are believed to be reasonable. The company reviews these matters and reflects changes in estimates as appropriate. Management believes that the following represents some of the more critical judgment areas in the application of the company's accounting policies which could have a material effect on the company's financial position, liquidity or results of operations.

*Long-term Employee Benefits*

Accounting for employee benefit plans involves numerous assumptions and estimates. Discount rate and expected return on plan assets are two critical assumptions in measuring the cost and benefit obligation of the company's pension and other post employment benefit (OPEB) plans. Management reviews these two key assumptions annually as of December 31<sup>st</sup>. These and other assumptions are updated periodically to reflect the actual experience and expectations on a plan specific basis as appropriate. As permitted by GAAP, actual results that differ from the assumptions are accumulated on a plan by plan basis and to the extent that such differences exceed 10 percent of the greater of the plan's benefit obligation or the applicable plan assets, the excess is amortized over the average remaining service period of active employees.

About 80 percent of the company's benefit obligation for pensions and essentially all of the company's OPEB obligations are attributable to the benefit plans in the U.S. In the U.S. the discount rate is developed by matching the expected cash flow of the benefit plans to a yield curve constructed from a portfolio of high quality fixed-income instruments provided by the plans' actuaries as of the measurement date. Effective in 2016, the company began to measure the service and interest cost components utilizing a full yield curve approach by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows. The company made this change as it believes it is a more precise measurement of service and interest costs by improving the correlation between projected benefit cash flows to the corresponding spot yield curve rates. The company considers this a change in estimate, and, accordingly, has accounted for it on a prospective basis. This change does not affect the measure of the total benefit obligation. Historically, the service and interest cost components were estimated utilizing a single weighted-average discount rate derived from the yield curve and cash flow for measurement of the benefit obligation at the beginning of the period. For non-U.S. benefit plans, the company utilizes prevailing long-term high quality corporate bond indices to determine the discount rate, applicable to each country, at the measurement date.

Within the U.S., the company establishes strategic asset allocation percentage targets and appropriate benchmarks for significant asset classes with the aim of achieving a prudent balance between return and risk. Strategic asset allocations in other countries are selected in accordance with the laws and practices of those countries. Where appropriate, asset-liability studies are also taken into consideration. The long-term expected return on plan assets in the U.S. is based upon historical real returns (net of inflation) for the asset classes covered by the investment policy, expected performance, and projections of inflation and interest rates over the long-term period during which benefits are payable to plan participants. Consistent with prior years, the long-term expected return on plan assets in the U.S. reflects the asset allocation of the plan and the effect of the company's active management of the plan's assets.

## Part II

### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, *continued*

In determining annual expense for the principal U.S. pension plan, the company uses a market-related value of assets rather than its fair value. The market-related value of assets is calculated by averaging market returns over 36 months. Accordingly, there may be a lag in recognition of changes in market valuation. As a result, changes in the fair value of assets are not immediately reflected in the company's calculation of net periodic pension cost. The following table shows the market-related value and fair value of plan assets for the principal U.S. pension plan:

<i>(Dollars in billions)</i>	2016 <sup>1</sup>	2015	2014
Market-related value of assets	\$ 13.5	\$ 15.1	\$ 15.9
Fair value of plan assets	13.5	14.4	15.8

<sup>1</sup>. During 2016, the plan's trust fund paid about \$550 million to a group of separated, vested plan participants who elected a limited-time opportunity to receive a lump sum payout. See further discussion under "Long Term Employee Benefits" beginning on page 47.

For plans other than the principal U.S. pension plan, pension expense is determined using the fair value of assets.

The following table highlights the potential impact on the company's pre-tax earnings due to changes in certain key assumptions with respect to the company's pension and OPEB plans, based on assets and liabilities at December 31, 2016 :

<b>Pre-tax Earnings Benefit (Charge)</b> <i>(Dollars in millions)</i>	<b>1/2 Percentage Point Increase</b>	<b>1/2 Percentage Point Decrease</b>
Discount rate	\$ 51	\$ (55)
Expected rate of return on plan assets	80	(80)

In October 2014, the Society of Actuaries released final reports of new mortality tables and a mortality improvement scale for measurement of retirement program obligations in the U.S. The Society of Actuaries published other mortality improvement scales in October 2015 and October 2016. The company adopted these tables in measuring the 2015 and 2016 long-term employee benefit obligations, respectively. The effect of these adoptions is amortized into net periodic benefit cost for the years following the adoption.

Additional information with respect to pension and OPEB expenses, liabilities and assumptions is discussed under "Long-term Employee Benefits" beginning on page 47 and in Note 17 to the Consolidated Financial Statements.

#### *Environmental Matters*

DuPont accrues for remediation activities when it is probable that a liability has been incurred and a reasonable estimate of the liability can be made. The company has recorded a liability of \$457 million as of December 31, 2016 ; these accrued liabilities exclude claims against third parties and are not discounted. As remediation activities vary substantially in duration and cost from site to site, it is difficult to develop precise estimates of future site remediation costs. The company's estimates are based on a number of factors, including the complexity of the geology, the nature and extent of contamination, the type of remedy, the outcome of discussions with regulatory agencies and other Potentially Responsible Parties (PRPs) at multi-party sites and the number of and financial viability of other PRPs. Therefore, considerable uncertainty exists with respect to environmental remediation costs and, under adverse changes in circumstances, the potential liability may range up to \$900 million above the amount accrued as of December 31, 2016 .

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, *continued***

*Legal Contingencies*

The company's results of operations could be affected by significant litigation adverse to the company, including product liability claims, patent infringement and antitrust claims, and claims for third party property damage or personal injury stemming from alleged environmental torts. The company records accruals for legal matters when the information available indicates that it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Management makes adjustments to these accruals to reflect the impact and status of negotiations, settlements, rulings, advice of counsel and other information and events that may pertain to a particular matter. Predicting the outcome of claims and lawsuits and estimating related costs and exposure involves substantial uncertainties that could cause actual costs to vary materially from estimates. In making determinations of likely outcomes of litigation matters, management considers many factors. These factors include, but are not limited to, the nature of specific claims including unasserted claims, the company's experience with similar types of claims, the jurisdiction in which the matter is filed, input from outside legal counsel, the likelihood of resolving the matter through alternative dispute resolution mechanisms and the matter's current status. Considerable judgment is required in determining whether to establish a litigation accrual when an adverse judgment is rendered against the company in a court proceeding. In such situations, the company will not recognize a loss if, based upon a thorough review of all relevant facts and information, management believes that it is probable that the pending judgment will be successfully overturned on appeal. A detailed discussion of significant litigation matters is contained in Note 15 to the Consolidated Financial Statements.

*Indemnification Assets*

Pursuant to the Separation Agreement discussed in Note 3 to the Consolidated Financial Statements, the company is indemnified by Chemours against certain litigation, environmental, workers' compensation and other liabilities that arose prior to the separation. The term of this indemnification is indefinite and includes defense costs and expenses, as well as monetary and non-monetary settlements and judgments. In connection with the recognition of liabilities related to these indemnified matters, the company records an indemnification asset when recovery is deemed probable. In assessing the probability of recovery, the company considers the contractual rights under the Separation Agreement and any potential credit risk. Future events, such as potential disputes related to recovery as well as solvency of Chemours, could cause the indemnification assets to have a lower value than anticipated and recorded. The company evaluates the recovery of the indemnification assets recorded when events or changes in circumstances indicate the carrying values may not be fully recoverable.

*Income Taxes*

The breadth of the company's operations and the global complexity of tax regulations require assessments of uncertainties and judgments in estimating taxes the company will ultimately pay. The final taxes paid are dependent upon many factors, including negotiations with taxing authorities in various jurisdictions, outcomes of tax litigation and resolution of disputes arising from federal, state and international tax audits in the normal course of business. The resolution of these uncertainties may result in adjustments to the company's tax assets and tax liabilities. It is reasonably possible that net reductions to the company's global unrecognized tax benefits could be in the range of \$70 million to \$90 million within the next 12 months with the majority due to the settlement of uncertain tax positions with various tax authorities.

Deferred income taxes result from differences between the financial and tax basis of the company's assets and liabilities and are adjusted for changes in tax rates and tax laws when changes are enacted. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. Significant judgment is required in evaluating the need for and magnitude of appropriate valuation allowances against deferred tax assets. The realization of these assets is dependent on generating future taxable income, as well as successful implementation of various tax planning strategies. For example, changes in facts and circumstances that alter the probability that the company will realize deferred tax assets could result in recording a valuation allowance, thereby reducing the deferred tax asset and generating a deferred tax expense in the relevant period. In some situations these changes could be material.

At December 31, 2016, the company had a net deferred tax asset balance of \$2.9 billion, net of valuation allowance of \$1.3 billion. Realization of these assets is expected to occur over an extended period of time. As a result, changes in tax laws, assumptions with respect to future taxable income, and tax planning strategies could result in adjustments to these assets. See Note 6 to the Consolidated Financial Statements for additional details related to the deferred tax asset balance.

## Part II

### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, *continued*

#### *Valuation of Assets*

The assets and liabilities of acquired businesses are measured at their estimated fair values at the dates of acquisition. The excess of the purchase price over the estimated fair value of the net assets acquired, including identified intangibles, is recorded as goodwill. The determination and allocation of fair value to the assets acquired and liabilities assumed is based on various assumptions and valuation methodologies requiring considerable management judgment, including estimates based on historical information, current market data and future expectations. The principal assumptions utilized in the company's valuation methodologies include revenue growth rates, operating margin estimates, royalty rates, and discount rates. Although the estimates are deemed reasonable by management based on information available at the dates of acquisition, those estimates are inherently uncertain.

Assessment of the potential impairment of goodwill, other intangible assets, property, plant and equipment, and investments in affiliates and other assets is an integral part of the company's normal ongoing review of operations. Testing for potential impairment of these assets is significantly dependent on numerous assumptions and reflects management's best estimates at a particular point in time. The dynamic economic environments in which the company's diversified businesses operate, and key economic and business assumptions with respect to projected selling prices, market growth and inflation rates, can significantly affect the outcome of impairment tests. Estimates based on these assumptions may differ significantly from actual results. Changes in factors and assumptions used in assessing potential impairments can have a significant impact on the existence and magnitude of impairments, as well as the time in which such impairments are recognized. In addition, the company continually reviews its diverse portfolio of assets to ensure they are achieving their greatest potential and are aligned with the company's growth strategy. Strategic decisions involving a particular group of assets may trigger an assessment of the recoverability of the related assets. Such an assessment could result in impairment losses.

Based on the results of the company's annual goodwill impairment test, completed in the third quarter 2016, we determined that the fair value of each of the reporting units exceeded its carrying value by more than 20 percent, and therefore there were no indications of impairment. The company's methodology for estimating the fair value of its reporting units is using the income approach based on the present value of future cash flows. The income approach has been generally supported by additional market transaction analyses. There can be no assurance that the company's estimates and assumptions regarding forecasted cash flow, revenue and operating income growth rates made for purposes of the annual goodwill impairment test will prove to be accurate predictions of the future. The company believes the current assumptions and estimates utilized are both reasonable and appropriate.

During 2016, the company recorded a \$158 million impairment charge related to indefinite-lived intangible trade names within the Industrial Biosciences segment as a result of the realignment of brand marketing strategies and a determination to phase out the use of certain acquired trade names. See Note 4 to the Consolidated Financial Statements for additional details related to this charge.

During 2016, the company recorded an asset impairment charge of \$435 million related to its uncompleted ERP system. The company intends to complete the ERP system project, however, given the uncertainties related to timing as well as potential developments and changes to technologies in the market place at the time of restart, use of the ERP system can no longer be considered probable. See Note 4 to the Consolidated Financial Statements for additional details related to this charge.

## Part II

### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, *continued*

#### Off-Balance Sheet Arrangements

##### *Certain Guarantee Contracts*

Information with respect to the company's guarantees is included in Note 15 to the Consolidated Financial Statements. Historically, the company has not had to make significant payments to satisfy guarantee obligations; however, the company believes it has the financial resources to satisfy these guarantees.

##### *Contractual Obligations*

Information related to the company's significant contractual obligations is summarized in the following table:

		Payments Due In			
	Total at December 31, 2016	2017	2018 - 2019	2020 - 2021	2022 and beyond
<i>(Dollars in millions)</i>					
Long-term debt obligations <sup>1</sup>	\$ 8,137	\$ 4	\$ 2,327	\$ 2,506	\$ 3,300
Expected cumulative cash requirements for interest payments through maturity	2,875	351	561	333	1,630
Capital leases <sup>1</sup>	9	—	2	3	4
Operating leases	1,203	263	440	281	219
Purchase obligations <sup>2</sup>					
Information technology infrastructure & services	187	93	92	2	—
Raw material obligations <sup>3</sup>	1,070	480	289	202	99
Utility obligations	125	105	14	4	2
License agreements <sup>4</sup>	1,456	281	462	366	347
Other	122	79	23	15	5
Total purchase obligations	2,960	1,038	880	589	453
Other liabilities <sup>1,5,6</sup>					
Workers' compensation	86	15	37	16	18
Environmental remediation	457	165	137	80	75
Legal settlements	17	6	4	4	3
Other <sup>7</sup>	153	43	25	19	66
Total other long-term liabilities	713	229	203	119	162
Total contractual obligations <sup>8</sup>	\$ 15,897	\$ 1,885	\$ 4,413	\$ 3,831	\$ 5,768

1. Included in the Consolidated Financial Statements.

2. Represents enforceable and legally binding agreements in excess of \$1 million to purchase goods or services that specify fixed or minimum quantities; fixed, minimum or variable price provisions; and the approximate timing of the agreement.

3. Includes raw material obligations related to supply agreements with Koch Industries, Inc. (INVISTA).

4. Represents remaining minimum payments under DuPont Pioneer license agreements.

5. Pension and OPEB obligations have been excluded from the table above. Expected 2017 funding for the principal U.S. pension plan and non-U.S. plans with plan assets is disclosed below within Long Term Employee Benefits. Contributions beyond 2017 are expected to be made, however, the amount of contributions are dependent on the future economic environment, investment returns on pension trust assets, as well as rules and regulations of the respective country in which the plans operate. The company's remaining pension plans with no plan assets and other post employment benefit plans are paid from operating cash flows. The benefit payments for these plans are excluded from the table above as the timing and amounts of benefit payments are uncertain. The estimated benefit payments in 2017 for these plans are disclosed below within Long Term Employee Benefits. Refer to Note 17 to the Consolidated Financial Statements for further information regarding the pension and other post employment benefit plans.

6. The company's contractual obligations do not reflect an offset for recoveries associated with indemnifications by Chemours in accordance with the Separation Agreement. Refer to Notes 3 and 15 to the Consolidated Financial Statements for additional detail related to the indemnifications.

7. Primarily represents employee-related benefits other than pensions and other post employment benefits.

8. Due to uncertainty regarding the completion of tax audits and possible outcomes, the timing of certain payments of obligations related to unrecognized tax benefits cannot be made and have been excluded from the table above. See Note 6 to the Consolidated Financial Statements for additional detail.

The company expects to meet its contractual obligations through its normal sources of liquidity and believes it has the financial resources to satisfy these contractual obligations.

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, *continued***

**Long-term Employee Benefits**

The company has various obligations to its employees and retirees. The company maintains retirement-related programs in many countries that have a long-term impact on the company's earnings and cash flows. These plans are typically defined benefit pension plans, as well as medical, dental and life insurance benefits for pensioners and survivors and disability benefits for employees (other post employment benefits or OPEB plans). Approximately 80 percent of the company's worldwide benefit obligation for pensions and essentially all of the company's worldwide OPEB obligations are attributable to the U.S. benefit plans.

Pension coverage for employees of the company's non-U.S. consolidated subsidiaries is provided, to the extent deemed appropriate, through separate plans. The company regularly explores alternative solutions to meet its global pension obligations in the most cost effective manner possible as demographics, life expectancy and country-specific pension funding rules change. Where permitted by applicable law, the company reserves the right to change, modify or discontinue its plans that provide pension, medical, dental, life insurance and disability benefits.

Benefits under defined benefit pension plans are based primarily on years of service and employees' pay near retirement. In November 2016, the company announced changes to the U.S. pension and OPEB plans. The company will freeze the pay and service amounts used to calculate pension benefits for active employees who participate in the U.S. pension plans at the earlier of the effective date of the first of the Intended Business Separations or November 30, 2018 (the Effective Date). See further discussion of the Intended Business Separations under "DuPont Dow Merger of Equals" beginning on page 2. Therefore, as of the Effective Date, active employees in the U.S. plans will not accrue additional benefits for future service and eligible compensation received. In addition to the changes to the U.S. pension plans, eligible employees who will be under the age of 50 at the Effective Date will not receive post-retirement medical, dental and life insurance benefits. As a result of these changes, the company recognized a pre-tax curtailment gain of \$382 million during the fourth quarter of 2016. The majority of employees hired in the U.S. on or after January 1, 2007 are not eligible to participate in the pension and post-retirement medical, dental and life insurance plans, but receive benefits in the defined contribution plans.

In the fourth quarter 2016, about \$550 million of lump-sum payments were made from the principal U.S. pension plan trust fund to a group of separated, vested plan participants who were extended a limited-time opportunity and voluntarily elected to receive their pension benefits in a single lump-sum payment.

Pension benefits are paid primarily from trust funds established to comply with applicable laws and regulations. Unless required by law, the company does not make contributions that are in excess of tax deductible limits. The actuarial assumptions and procedures utilized are reviewed periodically by the plans' actuaries to provide reasonable assurance that there will be adequate funds for the payment of benefits. The company contributed \$230 million to the principal U.S. pension plan in 2016 and the company expects to contribute about the same amount to this plan in 2017.

Funding for each pension plan other than the principal U.S. pension plan is governed by the rules of the sovereign country in which it operates. Thus, there is not necessarily a direct correlation between pension funding and pension expense. In general, however, improvements in plans' funded status tends to moderate subsequent funding needs. The company contributed \$121 million to its pension plans other than the principal U.S. pension plan in 2016.

U.S. pension benefits that exceed federal limitations are covered by separate unfunded plans and these benefits are paid to pensioners and survivors from operating cash flows. The company's remaining pension plans with no plan assets are paid from operating cash flows. The company made benefit payments of \$184 million to its unfunded plans in 2016.

The company's OPEB plans are unfunded and the cost of the approved claims is paid from operating cash flows. Pre-tax cash requirements to cover actual net claims costs and related administrative expenses were \$218 million, \$237 million and \$233 million for 2016, 2015 and 2014, respectively. Changes in cash requirements reflect the net impact of higher per capita health care costs, demographic changes, plan amendments and changes in participant premiums, co-pays and deductibles.

In 2017, the company expects to contribute \$95 million for pension plans other than the principal U.S. pension plan, \$85 million to its remaining plans with no plan assets, and \$275 million for its OPEB plans.



## Part II

### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, *continued*

The company's income can be significantly affected by pension and defined contribution benefits as well as OPEB costs. The following table summarizes the extent to which the company's income over each of the last 3 years was affected by pre-tax charges related to long-term employee benefits:

<i>(Dollars in millions)</i>	2016	2015	2014
Long-term employee benefit plan charges <sup>1</sup>	\$ 442	\$ 616	\$ 715

1. The long-term employee benefit plan charges include discontinued operations of \$(5), \$(245) and \$96 for 2016, 2015 and 2014, respectively.

The above charges for pension and OPEB are determined as of the beginning of each year. The decrease in long-term employee benefit expense in 2016 is driven by the curtailment gain recognized in 2016 related to the changes to the U.S. long term employee benefits described above. The decrease in 2015 is primarily due to a curtailment gain, which is presented within income from discontinued operations, partially offset by a decrease in discount rate. See "Long-term Employee Benefits" under the Critical Accounting Estimates section beginning on page 42 of this report for additional information on determining annual expense.

The company's key assumptions used in calculating its pension and other post employment benefits are the expected return on plan assets, the rate of compensation increases and the discount rate (see Note 17 to the Consolidated Financial Statements). For 2017, long term employee benefit expense from continuing operations is expected to increase by about \$340 million mainly due to the curtailment gain recognized in 2016. This amount does not include any potential settlement charges related to the company's Pension Restoration Plan which provides lump sum payments to certain eligible retirees.

#### Environmental Matters

The company operates global manufacturing, product handling and distribution facilities that are subject to a broad array of environmental laws and regulations. Such rules are subject to change by the implementing governmental agency, and the company monitors these changes closely. Company policy requires that all operations fully meet or exceed legal and regulatory requirements. In addition, the company implements voluntary programs to reduce air emissions, minimize the generation of hazardous waste, decrease the volume of water use and discharges, increase the efficiency of energy use and reduce the generation of persistent, bioaccumulative and toxic materials. Management has noted a global upward trend in the amount and complexity of proposed chemicals regulation. The costs to comply with complex environmental laws and regulations, as well as internal voluntary programs and goals, are significant and will continue to be significant for the foreseeable future.

Pre-tax environmental expenses charged to income from continuing operations are summarized below:

<i>(Dollars in millions)</i>	2016	2015	2014
Environmental operating costs	\$ 370	\$ 380	\$ 380
Environmental remediation costs	60	65	35
	\$ 430	\$ 445	\$ 415

About 75 percent of total pre-tax environmental expenses charged to income from continuing operations in 2016 resulted from operations in the U.S. Based on existing facts and circumstances, management does not believe that year over year changes, if any, in environmental expenses charged to current operations will have a material impact on the company's financial position, liquidity or results of operations. Annual expenditures in the near term are not expected to vary significantly from the range of such expenditures experienced in the past few years. Longer term, expenditures are subject to considerable uncertainty and may fluctuate significantly.

#### Environmental Operating Costs

As a result of its operations, the company incurs costs for pollution abatement activities including waste collection and disposal, installation and maintenance of air pollution controls and wastewater treatment, emissions testing and monitoring, and obtaining permits. The company also incurs costs related to environmental related research and development activities including environmental field and treatment studies as well as toxicity and degradation testing to evaluate the environmental impact of products and raw materials.

## Part II

### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, *continued*

#### *Remediation Accrual*

Changes in the remediation accrual balance are summarized below:

<i>(Dollars in millions)</i>	
Balance at December 31, 2014	\$ 478
Remediation payments <sup>1</sup>	(104)
Net increase in remediation accrual <sup>2</sup>	118
Balance at December 31, 2015	\$ 492
Remediation payments <sup>1</sup>	(143)
Net increase in remediation accrual <sup>2</sup>	108
Balance at December 31, 2016	\$ 457

<sup>1</sup>. Includes reductions in the accrual for payments made by indemnified parties. See below for further discussion.

<sup>2</sup>. Excludes related indemnification asset. See below for further discussion.

Considerable uncertainty exists with respect to environmental remediation costs, and, under adverse changes in circumstances, the potential liability may range up to \$900 million above the amount accrued as of December 31, 2016. However, based on existing facts and circumstances, management does not believe that any loss, in excess of amounts accrued, related to remediation activities at any individual site will have a material impact on the financial position, liquidity or results of operations of the company.

Pursuant to the Separation Agreement discussed in Note 3 to the Consolidated Financial Statements, the company is indemnified by Chemours for certain environmental matters, included in the liability of \$457 million, that have an estimated liability of \$250 million as of December 31, 2016 and a potential exposure that ranges up to approximately \$500 million above the amount accrued. As such, the company has recorded an indemnification asset of \$250 million corresponding to the company's accrual balance related to these matters at December 31, 2016. Within the table above, during 2016, the remediation payments made by Chemours are about \$90 million and the indemnified portion of the net increase in the remediation accrual is about \$50 million.

On December 15, 2016, DuPont reached a settlement in principle, valued at about \$50 million, with the U.S. Departments of Justice and the Interior and the Commonwealth of Virginia, to resolve remediation claims associated with mercury contamination in the South River and South Fork Shenandoah River watershed. If approved by the U.S. District Court for the Western District of Virginia, the settlement requires DuPont to make a cash payment of about \$42 million and undertake certain remediation activities. The full value of the settlement is included in the remediation accrual balance at December 31, 2016.

As of December 31, 2016, the company has been notified of potential liability under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA or Superfund) or similar state laws at about 500 sites around the U.S., including approximately 100 sites for which DuPont does not believe it has liability based on current information. Active remediation is under way at approximately 90 of these sites. In addition, the company has resolved its liability at approximately 70 sites, either by completing remedial actions with other PRPs or by participating in "de minimis buyouts" with other PRPs whose waste, like the company's, represented only a small fraction of the total waste present at a site. The company received notice of potential liability at one new site during 2016 compared with one and three similar notices in 2015 and 2014, respectively.

#### *Environmental Capital Expenditures*

Capital expenditures for environmental projects, either required by law or necessary to meet the company's internal environmental goals, were \$39 million in 2016. The company currently estimates expenditures for environmental-related capital projects to be about \$55 million in 2017.

## Part II

### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, *continued*

#### *Climate Change*

The company believes that climate change is an important global issue that presents risks and opportunities. Expanding upon significant global greenhouse gas (GHG) emissions and other environmental footprint reductions made in the period 1990-2010, as of 2015 the company reduced its environmental footprint, achieving reductions of 7.5 percent in GHG emissions, 7.6 percent in water consumption, and 3.3 percent in energy intensity from non-renewable resources versus a 2010 baseline. In 2015, the company announced its 2020 Sustainability Goals, including a goal to achieve a 7 percent reduction in GHG emissions intensity (2015 baseline) and continuation of its goal to achieve a 10 percent improvement in energy intensity (2010 baseline). The company continuously evaluates opportunities for existing and new product and service offerings in light of the anticipated demands of a low-carbon economy.

The company is actively engaged in efforts to develop constructive public policies to reduce GHG emissions and encourage lower carbon forms of energy. Such policies may bring higher operating costs as well as greater revenue and margin opportunities. Legislative efforts to control or limit GHG emissions could affect the company's energy source and supply choices as well as increase the cost of energy and raw materials derived from fossil fuels. Such efforts are also anticipated to provide the business community with greater certainty for the regulatory future, help guide investment decisions, and drive growth in demand for low-carbon and energy-efficient products, technologies, and services. Similarly, demand is expected to grow for products that facilitate adaptation to a changing climate. However, the current unsettled policy environment in the U.S., where many company facilities are located, adds an element of uncertainty to business decisions, particularly those relating to long-term capital investments.

In addition, significant differences in regional or national approaches could present challenges in a global marketplace. An effective global climate policy framework will help drive the market changes that are needed to stimulate and efficiently deploy new innovations in science and technology, while maintaining open and competitive global markets.

## Part II

### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The company's global operations are exposed to financial market risks relating to fluctuations in foreign currency exchange rates, commodity prices, and interest rates. The company has established a variety of programs including use of derivative instruments and other financial instruments to manage the exposure to financial market risks as to minimize volatility of financial results. In the ordinary course of business, the company enters into derivative instruments to hedge its exposure to foreign currency, interest rate and commodity price risks under established procedures and controls. For additional information on these derivatives and related exposures, see Note 19 to the Consolidated Financial Statements. Decisions regarding whether or not to hedge a given commitment are made on a case-by-case basis, taking into consideration the amount and duration of the exposure, market volatility and economic trends. Foreign currency exchange contracts are also used, from time to time, to manage near-term foreign currency cash requirements.

#### Foreign Currency Exchange Rate Risks

The company has significant international operations resulting in a large number of currency transactions that result from international sales, purchases, investments and borrowings. The primary currencies for which the company has an exchange rate exposure are the European euro (EUR), Chinese yuan, Brazilian real, and Japanese yen. The company uses forward exchange contracts to offset its net exposures, by currency, related to the foreign currency denominated monetary assets and liabilities of its operations. In addition to the contracts disclosed in Note 19 to the Consolidated Financial Statements, from time to time, the company will enter into foreign currency exchange contracts to establish with certainty the U.S. dollar (USD) amount of future firm commitments denominated in a foreign currency.

Certain foreign entities of the company held USD denominated marketable securities, mainly US government securities, at December 31, 2015. The USD/EUR was the primary foreign exchange exposure for these nonfunctional currency denominated marketable securities. These marketable securities were classified as "available-for-sale" and as such, fluctuations in foreign exchange were recorded in accumulated other comprehensive loss (AOCL) within the Consolidated Statements of Equity. These fluctuations were subsequently reclassified from AOCL to earnings in the period in which the marketable securities were sold.

The following table illustrates the fair values of outstanding foreign currency contracts and nonfunctional currency denominated marketable securities at December 31, 2016 and 2015, and the effect on fair values of a hypothetical adverse change in the foreign exchange rates that existed at December 31, 2016 and 2015. The sensitivities for foreign currency contracts and nonfunctional currency denominated marketable securities are based on a 10 percent adverse change in foreign exchange rates.

	Fair Value Asset/(Liability)		Fair Value Sensitivity	
	2016	2015	2016	2015
<i>(Dollars in millions)</i>				
Foreign currency contracts	\$ 61	\$ (6)	\$ (567)	\$ (738)
Marketable securities	—	788	—	(110)

Since the company's risk management programs are highly effective, the potential loss in value for each risk management portfolio described above would be largely offset by changes in the value of the underlying exposure.

#### Concentration of Credit Risk

The company maintains cash and cash equivalents, marketable securities, derivatives and certain other financial instruments with various financial institutions. These financial institutions are generally highly rated and geographically dispersed and the company has a policy to limit the dollar amount of credit exposure with any one institution.

As part of the company's financial risk management processes, it continuously evaluates the relative credit standing of all of the financial institutions that service DuPont and monitors actual exposures versus established limits. The company has not sustained credit losses from instruments held at financial institutions.

The company's sales are not materially dependent on any single customer. As of December 31, 2016, no one individual customer balance represented more than five percent of the company's total outstanding receivables balance. Credit risk associated with its receivables balance is representative of the geographic, industry and customer diversity associated with the company's global businesses.

The company also maintains strong credit controls in evaluating and granting customer credit. As a result, it may require that customers provide some type of financial guarantee in certain circumstances. Length of terms for customer credit varies by industry and region.

## **Part II**

### **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The financial statements and supplementary data required by this Item are included herein, commencing on page F-1 of this report.

### **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

### **ITEM 9A. CONTROLS AND PROCEDURES**

The company maintains a system of disclosure controls and procedures to give reasonable assurance that information required to be disclosed in the company's reports filed or submitted under the Securities Exchange Act of 1934 (Exchange Act) is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. These controls and procedures also give reasonable assurance that information required to be disclosed in such reports is accumulated and communicated to management to allow timely decisions regarding required disclosures.

As of December 31, 2016, the company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO), together with management, conducted an evaluation of the effectiveness of the company's disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based on that evaluation, the CEO and CFO concluded that these disclosure controls and procedures are effective.

There has been no change in the company's internal control over financial reporting that occurred during the fourth quarter of 2016 that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting. The company has completed its evaluation of its internal controls and has concluded that the company's system of internal controls over financial reporting was effective as of December 31, 2016 (see page F-2).

### **ITEM 9B. OTHER INFORMATION**

On January 31, 2017, the company entered into a committed receivable repurchase facility of up to \$1.3 billion (the 2017 repurchase facility) that expires on November 30, 2017. Under the 2017 repurchase facility, the company may sell a portfolio of available and eligible outstanding customer notes receivables within the Agriculture segment to participating institutions and simultaneously agree to repurchase at a future date. The 2017 repurchase facility is considered a secured borrowing with the customer notes receivables, inclusive of those that are sold and repurchased, equal to 105 percent of the outstanding amounts borrowed utilized as collateral. Borrowings under the repurchase facility will have an interest rate of LIBOR + 0.75 percent.

## Part III

### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information with respect to this Item is incorporated herein by reference to the Proxy, including information within the sections entitled, "Election of Directors," "Governance of the Company-Committees of the Board," "Governance of the Company-Committee Membership," "Section 16(a) Beneficial Ownership Reporting Compliance," and "Stockholder Nominations for Election of Directors."

The company has adopted a Code of Ethics for its CEO, CFO, and Controller that may be accessed from the company's website at [www.dupont.com](http://www.dupont.com) by clicking on "Investors" and then "Corporate Governance." Any amendments to, or waiver from, any provision of the code will be posted on the company's website at the above address.

#### Executive Officers of the Registrant

The following is a list, as of February 2, 2017, of the company's Executive Officers:

	Age	Executive Officer Since
<b>Chair of the Board of Directors and Chief Executive Officer:</b>		
<i>Edward D. Breen</i>	60	2015
<b>Other Executive Officers:</b>		
<i>Benito Cachinero-Sánchez</i>	58	2011
Senior Vice President - Human Resources		
<i>James C. Collins</i>	54	2014
Executive Vice President		
<i>C. Marc Doyle</i>	47	2015
Executive Vice President		
<i>Nicholas C. Fanandakis</i>	60	2009
Executive Vice President and Chief Financial Officer		
<i>Stacy L. Fox</i>	63	2014
Senior Vice President and General Counsel		
<i>Douglas Muzyka</i>	62	2014
Senior Vice President and Chief Science & Technology Officer		

The company's Executive Officers are elected or appointed for the ensuing year or for an indefinite term and until their successors are elected or appointed.

*Edward D. Breen* joined the DuPont Board of Directors in February 2015, was named Interim Chair of the Board and CEO in October 2015, and assumed his current role in November 2015. Mr. Breen served as Chairman and CEO of Tyco International plc (Tyco) from July 2002 until September 2012. Prior to joining Tyco, Mr. Breen held several senior management positions at Motorola from 2000 to 2002, including as President and Chief Operating Officer. From December 1997 to January 2000, he served as Chairman, President and Chief Executive Officer of General Instrument Corporation. Between 1994 and 1997, Mr. Breen was president of the Broadband Networks Group for General Instrument, President of Eastern Operations for the Communications Division and served as Executive Vice President of Terrestrial Systems. Mr. Breen currently serves as a director of Comcast Corporation. He also serves as a member of the advisory board of New Mountain Capital LLC, a private equity firm.

*Benito Cachinero-Sánchez* joined DuPont in April 2011 as Senior Vice President - Human Resources. Prior to joining DuPont, he was Corporate Vice President of Human Resources at Automatic Data Processing (ADP). Prior to ADP, he was Vice President, Human Resources for the Medical Devices & Diagnostics Group of Johnson & Johnson.

### Part III

#### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE, *continued*

*James C. Collins* joined DuPont in 1984 as an engineer. He has held positions in engineering, supervision and plant management at a variety of manufacturing sites. In 1993, he joined the Agriculture Sales & Marketing Group where he served in a variety of roles across the globe supporting DuPont's seed and crop protection businesses. From 2004 to 2010, he was responsible for DuPont Crop Protection as Vice President and General Manager and then President. In January 2011, he was appointed Vice President for Acquisition & Integration of Danisco, and was named President of DuPont Industrial Biosciences in May of that year. Beginning in September 2013, he assumed additional business and functional responsibilities as Senior Vice President. In December 2014, he was named Executive Vice President and had responsibility for the Electronics & Communications, Industrial Biosciences, Performance Materials segments as well as regional management for Europe, Middle East, Africa and Canada and Corporate Communications. In January 2016, Mr. Collins assumed responsibility for the Agriculture businesses.

*C. Marc Doyle* joined DuPont in 1995 as a research scientist within DuPont Central Research & Development. He has held positions in business development, marketing and business management, including strategic planning manager, global displays business manager and regional business director of the Asia Pacific region for the Microcircuit Materials business. In February 2008, he became the Global Business Director for DuPont Photovoltaic Solutions within the DuPont Electronics & Communications business. He was named Global Market and Product Director for DuPont Protection Technologies in September 2011. In this role, Mr. Doyle had been responsible for the Kevlar<sup>®</sup> and Nomex<sup>®</sup> product lines globally. In June 2013 he was named President of DuPont Protection Technologies. In July 2015, he was named Senior Vice President and assumed responsibility for the Safety & Protection businesses. In January 2016, he was named Executive Vice President and assumed responsibility for the Electronics & Communications, Protection Solutions, Sustainable Solutions, Industrial Biosciences, Nutrition & Health, and Performance Materials businesses.

*Nicholas C. Fanandakis* joined DuPont in 1979 as an accounting and business analyst. Since then, Mr. Fanandakis served in a variety of plant, marketing, and product management and business director roles. Mr. Fanandakis served as Vice President and General Manager—DuPont Chemical Solutions Enterprise from 2003 until February 2007 when he was named Vice President—Corporate Plans. In January 2008, Mr. Fanandakis was named Group Vice President—DuPont Applied BioSciences. In November 2009, he was named Senior Vice President and Chief Financial Officer. In August 2010, he was named Executive Vice President and Chief Financial Officer.

*Stacy L. Fox* joined DuPont in October 2014 as Senior Vice President and General Counsel. In January 2016, she assumed responsibility for Corporate Communications. Prior to joining DuPont she served as Deputy Emergency Manager of the City of Detroit. Prior to that role, she was Senior Vice President of Strategy and General Counsel of Sunoco, Inc. She also served as a member of the Board of Directors of Sunoco Partners LLC. Earlier, she served as Executive Vice President of Corporate Transactions and Legal Affairs for Visteon. Ms. Fox is also a founder and principal of the Roxbury Group.

*Douglas Muzyka* joined the company in 1985 as a research scientist and held a variety of research and research management roles. In 1994, he was named Director of Technology and New Business Development for DuPont Nylon, Asia Pacific. In 1998, he was named Global Business Director for the Nylon Industrial Specialties business. In 2001, Mr. Muzyka was then named President and General Manager of DuPont Mexico. In January 2003, he was named President and Chief Executive Officer of DuPont Canada Inc. and in September 2003, concurrently Vice President and General Manager - DuPont Nutrition & Health. In July 2006, he assumed the role of President - DuPont Greater China. In September 2010, he was named Senior Vice President and Chief Science and Technology Officer. In January 2016, he assumed responsibility for engineering technologies and regional leadership.

#### ITEM 11. EXECUTIVE COMPENSATION

Information with respect to this Item is incorporated herein by reference to the Proxy, including information within the sections entitled, "Compensation Discussion and Analysis," "Compensation of Executive Officers," "Directors' Compensation," "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee Report."

### Part III

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information with respect to this Item is incorporated herein by reference to the Proxy, including information within the section entitled "Ownership of Company Stock."

### Securities authorized for issuance under equity compensation plans as of December 31, 2016

(Shares in thousands, except per share)

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights <sup>2</sup>	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans <sup>3</sup>
Equity compensation plans approved by security holders	20,447 <sup>1</sup>	\$ 58.11	36,854
Equity compensation plans not approved by security holders	13 <sup>4</sup>	—	— <sup>5</sup>
Total	20,460	\$ 58.11	36,854

- <sup>1</sup>. Includes stock-settled time-vested and performance-based restricted stock units granted and stock units deferred under the company's Equity and Incentive Plan, Stock Performance Plan, Variable Compensation Plan and the Stock Accumulation and Deferred Compensation Plan for Directors. Performance-based restricted stock units reflect the maximum number of shares to be awarded at the conclusion of the performance cycle (200 percent of the original grant). The actual award payouts can range from 0 to 200 percent of the original grant.
- <sup>2</sup>. Represents the weighted-average exercise price of the outstanding stock options only; the outstanding stock-settled time-vested and performance-based restricted stock units and deferred stock units are not included in this calculation.
- <sup>3</sup>. Reflects shares available pursuant to the issuance of stock options, restricted stock, restricted stock units or other stock-based awards under the Equity and Incentive Plan, as amended and restated effective March 14, 2016 (see Note 18 to the Consolidated Financial Statements). The maximum number of shares of stock reserved for the grant or settlement of awards under the Equity and Incentive Plan (Share Limit) shall be 110,000 and shall be subject to adjustment as provided therein; provided that each share in excess of 30,000 issued under the Equity and Incentive Plan pursuant to any award settled in stock, other than a stock option or stock appreciation right, shall be counted against the foregoing Share Limit as four and one-half shares for every one share actually issued in connection with such award. (For example, if 32,000 shares of restricted stock are granted under the Equity and Incentive Plan, 39,000 shall be charged against the Share Limit in connection with that award.)
- <sup>4</sup>. Includes 13 deferred stock units resulting from base salary and short-term incentive (STIP) deferrals under the Management Deferred Compensation Plan (MDCP). Under the MDCP, a select group of management or highly compensated employees can elect to defer the receipt of their base salary, STIP or Long Term Incentive (LTI) award. LTI deferrals are included in footnote 1 to the above chart. The company does not match deferrals under the MDCP. There are seven core investment options under the MDCP for base salary and STIP deferrals, including deferred stock units with dividend equivalents credited as additional stock units. In general, deferred stock units are distributed in the form of DuPont common stock and may be made in the form of lump sum at a specified future date prior to retirement or a lump sum or annual installments after separation from service. Shareholder approval of the MDCP was not required under the rules of the New York Stock Exchange.
- <sup>5</sup>. There is no limit on the number of shares that can be issued under the MDCP and no further shares are available for issuance under the other equity compensation arrangements described in footnote 4 to the above chart.



## **Part III**

### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

Information with respect to this Item is incorporated herein by reference to the Proxy, including information within the sections entitled, "Governance of the Company-Review and Approval of Transactions with Related Persons" and "Governance of the Company-Corporate Governance Guidelines," "Governance of the Company-Committees of the Board," "Governance of the Company-Committee Membership" and "Election of Directors."

### **ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

Information with respect to this Item is incorporated herein by reference to the Proxy, including information within the section entitled "Ratification of Independent Registered Public Accounting Firm."

**Part IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

(a) Financial Statements, Financial Statement Schedules and Exhibits:

1. Financial Statements (See the Index to the Consolidated Financial Statements on page F-1 of this report).
2. Financial Statement Schedules

Schedule II—Valuation and Qualifying Accounts

*(Dollars in millions)*

Year Ended December 31,	2016	2015	2014
<b>Accounts Receivable—Allowance for Doubtful Receivables</b>			
Balance at beginning of period	\$ 225	\$ 235	\$ 262
Additions charged to expenses	119	58	58
Deductions from reserves <sup>1</sup>	(57)	(68)	(85)
Balance at end of period	\$ 287	\$ 225	\$ 235
<b>Inventory—Obsolescence Reserve</b>			
Balance at beginning of period	\$ 237	\$ 180	\$ 212
Additions charged to expenses	298	391	386
Deductions from reserves <sup>2</sup>	(320)	(334)	(418)
Balance at end of period	\$ 215	\$ 237	\$ 180
<b>Deferred Tax Assets—Valuation Allowance</b>			
Balance at beginning of period	\$ 1,529	\$ 1,704	\$ 1,711
Net benefits to income tax expense	(184)	(71)	(47)
(Deductions) additions to other comprehensive (loss) income	(37)	(104)	40
Balance at end of period	\$ 1,308	\$ 1,529	\$ 1,704

<sup>1</sup> Deductions include write-offs, recoveries and currency translation adjustments.

<sup>2</sup> Deductions include disposals and currency translation adjustments.

Financial Statement Schedules listed under SEC rules but not included in this report are omitted because they are not applicable or the required information is shown in the Consolidated Financial Statements or notes thereto incorporated by reference.

**Part IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES, *continued***

3. Exhibits

The following list of exhibits includes both exhibits submitted with this Form 10-K as filed with the SEC and those incorporated by reference to other filings:

<b>Exhibit Number</b>	<b>Description</b>
3.1	Company's Restated Certificate of Incorporation (incorporated by reference to Exhibit 99.2 to the company's Annual Report on Form 8-K (Commission file number 1-815) dated June 1, 2015).
3.2	Company's Bylaws, as last amended effective October 22, 2015 (incorporated by reference to Exhibit 3.2 to the company's Quarterly Report on Form 10-Q (Commission file number 1-815) for the period ended September 30, 2015).
4	The company agrees to provide the Commission, on request, copies of instruments defining the rights of holders of long-term debt of the company and its subsidiaries.
10.1*	The DuPont Stock Accumulation and Deferred Compensation Plan for Directors, as last amended effective January 1, 2009 (incorporated by reference to Exhibit 10.1 to the company's Annual Report on Form 10-K (Commission file number 1-815) for the year ended December 31, 2013).
10.2*	Company's Supplemental Retirement Income Plan, as last amended effective December 18, 1996 (incorporated by reference to Exhibit 10.2 to the company's Annual Report on Form 10-K (Commission file number 1-815) for the year ended December 31, 2011).
10.3*	Company's Pension Restoration Plan, as last amended effective June 29, 2015 (incorporated by reference to Exhibit 10.3 to the company's Quarterly Report on Form 10-Q (Commission file number 1-815) for the period ended June 30, 2015).
10.4*	Company's Rules for Lump Sum Payments, as last amended effective May 15, 2014 (incorporated by reference to Exhibit 10.4 to the company's Quarterly Report on Form 10-Q (Commission file number 1-815) for the period ended June 30, 2015).
10.5*	Company's Stock Performance Plan, as last amended effective January 25, 2007 (incorporated by reference to Exhibit 10.5 to the company's Annual Report on Form 10-K (Commission file number 1-815) for the year ended December 31, 2011).
10.6*	Company's Equity and Incentive Plan, as amended and restated effective March 14, 2016 (incorporated by reference to Exhibit 10.06 to the company's Quarterly Report on Form 10-Q (Commission file number 1-815) for the period ended June 30, 2016).
10.7*	Form of 2013 Award Terms under the company's Equity and Incentive Plan (incorporated by reference to Exhibit 10.7 to the company's Quarterly Report on Form 10-Q (Commission file number 1-815) for the period ended June 30, 2013).
10.8*	Company's Retirement Savings Restoration Plan, as last amended effective May 15, 2014 (incorporated by reference to Exhibit 10.08 to the company's Quarterly Report on Form 10-Q (Commission file number 1-815) for the period ended June 30, 2014).
10.9*	Company's Retirement Income Plan for Directors, as last amended January 2011 (incorporated by reference to Exhibit 10.9 to the company's Quarterly Report on Form 10-Q (Commission file number 1-815) for the period ended March 31, 2012).
10.10*	Company's Senior Executive Severance Plan, as amended and restated effective December 10, 2015 (incorporated by reference to Exhibit 10.10 to the company's Annual Report on Form 10-K (Commission file number 1-815) for the year ended December 31, 2015). The company agrees to furnish supplementally a copy of any omitted schedules to the Commission upon request.
10.11*	Supplemental Deferral Terms for Deferred Long Term Incentive Awards and Deferred Variable Compensation Awards (incorporated by reference to Exhibit 10.12 to the company's Annual Report on Form 10-K (Commission file number 1-815) for the year ended December 31, 2013).
10.12*	Form of 2014 Award Terms under the Company's Equity and Incentive Plan (incorporated by reference to Exhibit 10.13 to the company's Quarterly Report on Form 10-Q (Commission file number 1-815) for the period ended March 31, 2014).
10.13*	Company's Management Deferred Compensation Plan, as last amended effective April 15, 2014 (incorporated by reference to Exhibit 10.13 to the company's Quarterly Report on Form 10-Q (Commission file number 1-815) for the period ended June 30, 2014).



## Part IV

### ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES, *continued*

10.14*	Separation Agreement dated October 5, 2015, by and between E.I. du Pont Nemours and Company and Ellen J. Kullman (incorporated by reference to Exhibit 10.1 to the company's Current Report on Form 8-K (Commission file number 1-815) dated October 5, 2015).
10.15*	Form of 2015 Award Terms under the Company's Equity and Incentive Plan (incorporated by reference to Exhibit 10.15 to the company's Quarterly Report on Form 10-Q (Commission file number 1-815) for the period ended March 31, 2015).
10.16*	Form of 2016 Award Terms under the Company's Equity and Incentive Plan, (incorporated by reference to Exhibit 10.22 to the company's Quarterly Report on Form 10-Q (Commission file number 1-815) for the period ended March 31, 2016).
10.17*	Letter Agreement dated January 4, 2016, by and between the Company and Mr. James C. Borel (incorporated by reference to Exhibit 10.1 to the company's Current Report on Form 8-K (Commission file number 1-815) dated January 22, 2016).
10.18**	Separation Agreement by and between the Company and The Chemours Company (incorporated by reference to Exhibit 2.1 to the company's Current Report on Form 8-K (Commission file number 1-815) dated July 8, 2015).
10.19	Tax Matters Agreement by and between the Company and The Chemours Company (incorporated by reference to Exhibit 2.2 to the company's Current Report on Form 8-K (Commission file number 1-815) dated July 8, 2015).
10.20**	Agreement and Plan of Merger by and between the Company and The Dow Chemical Company, dated as of December 11, 2015 (incorporated by reference to Exhibit 2.1 to the company's Current Report on Form 8-K (Commission file number 1-815) dated December 11, 2015).
10.21**	Master Repurchase Agreement by and among Cooperatieve Rabobank, U.A. (New York Branch), The Bank of Tokyo Mitsubishi UFJ Ltd. (New York Branch) and PHI Financial Services, Inc. dated as of January 31, 2017.
10.22**	Master Framework Agreement by and among Cooperatieve Rabobank, U.A. (New York Branch), The Bank of Tokyo Mitsubishi UFJ Ltd. (New York Branch) and PHI Financial Services, Inc. dated as of January 31, 2017.
12	Computation of Ratio of Earnings to Fixed Charges.
21	Subsidiaries of the Registrant.
23	Consent of Independent Registered Public Accounting Firm.
31.1	Rule 13a-14(a)/15d-14(a) Certification of the company's Principal Executive Officer.
31.2	Rule 13a-14(a)/15d-14(a) Certification of the company's Principal Financial Officer.
32.1	Section 1350 Certification of the company's Principal Executive Officer. The information contained in this Exhibit shall not be deemed filed with the Securities and Exchange Commission nor incorporated by reference in any registration statement filed by the registrant under the Securities Act of 1933, as amended.
32.2	Section 1350 Certification of the company's Principal Financial Officer. The information contained in this Exhibit shall not be deemed filed with the Securities and Exchange Commission nor incorporated by reference in any registration statement filed by the registrant under the Securities Act of 1933, as amended.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

\* Management contract or compensatory plan or arrangement.

\*\* DuPont hereby undertakes to furnish supplementally a copy of any omitted schedule or exhibit to such agreement to the U.S. Securities and Exchange Commission upon request.

## Signatures

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

February 2, 2017

E. I. DU PONT DE NEMOURS AND COMPANY

By: /s/ Nicholas C. Fanandakis

Nicholas C. Fanandakis  
Executive Vice President and Chief Financial Officer  
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated:

Signature	Title(s)	Date
<u>/s/ E.D. Breen</u> E. D. Breen	Chair of the Board of Directors and Chief Executive Officer and Director (Principal Executive Officer)	February 2, 2017
<u>/s/ L. Andreotti</u> L. Andreotti	Director	February 2, 2017
<u>/s/ R.A. Brown</u> R. A. Brown	Director	February 2, 2017
<u>/s/ A.M. Cutler</u> A. M. Cutler	Director	February 2, 2017
<u>/s/ E.I. du Pont, II</u> E. I. du Pont, II	Director	February 2, 2017
<u>/s/ J. L. Gallogly</u> J. L. Gallogly	Director	February 2, 2017
<u>/s/ M.A. Hewson</u> M. A. Hewson	Director	February 2, 2017
<u>/s/ L.D. Juliber</u> L. D. Juliber	Director	February 2, 2017
<u>/s/ U. M. Schneider</u> U. M. Schneider	Director	February 2, 2017
<u>/s/ L. M. Thomas</u> L. M. Thomas	Director	February 2, 2017
<u>/s/ P. J. Ward</u> P. J. Ward	Director	February 2, 2017

**E.I. du Pont de Nemours and Company**

**Index to the Consolidated Financial Statements**

	<b>Page(s)</b>
Consolidated Financial Statements:	
Management's Reports on Responsibility for Financial Statements and Internal Control over Financial Reporting	F-2
Report of Independent Registered Public Accounting Firm	F-3
Consolidated Income Statements for the years ended December 31, 2016, 2015 and 2014	F-4
Consolidated Statements of Comprehensive Income for the years ended December 31, 2016, 2015 and 2014	F-5
Consolidated Balance Sheets as of December 31, 2016 and December 31, 2015	F-6
Consolidated Statements of Equity for the years ended December 31, 2016, 2015 and 2014	F-7
Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015 and 2014	F-8
Notes to the Consolidated Financial Statements	F-9



## **Management's Reports on Responsibility for Financial Statements and Internal Control over Financial Reporting**

### **Management's Report on Responsibility for Financial Statements**

Management is responsible for the Consolidated Financial Statements and the other financial information contained in this Annual Report on Form 10-K. The financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) and are considered by management to present fairly the company's financial position, results of operations and cash flows. The financial statements include some amounts that are based on management's best estimates and judgments. The financial statements have been audited by the company's independent registered public accounting firm, PricewaterhouseCoopers LLP. The purpose of their audit is to express an opinion as to whether the Consolidated Financial Statements included in this Annual Report on Form 10-K present fairly, in all material respects, the company's financial position, results of operations and cash flows in conformity with GAAP. Their report is presented on the following page.

### **Management's Report on Internal Control over Financial Reporting**

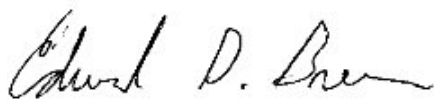
Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The company's internal control over financial reporting includes those policies and procedures that:

- i. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- ii. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the company are being made only in accordance with authorization of management and directors of the company; and
- iii. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisitions, use or disposition of the company's assets that could have a material effect on the financial statements.

Internal control over financial reporting has certain inherent limitations which may not prevent or detect misstatements. In addition, changes in conditions and business practices may cause variation in the effectiveness of internal controls.

Management assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2016, based on criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework (2013)*. Based on its assessment and those criteria, management concluded that the company maintained effective internal control over financial reporting as of December 31, 2016.

PricewaterhouseCoopers LLP, an independent registered public accounting firm, has audited the effectiveness of the company's internal control over financial reporting as of, as stated in their report, which is presented on the following page.



Edward D. Breen  
Chair of the Board and  
Chief Executive Officer



Nicholas C. Fanandakis  
Executive Vice President  
and Chief Financial Officer

February 2, 2017

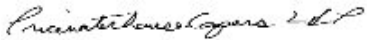
## Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of  
E. I. du Pont de Nemours and Company:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, comprehensive income, equity and cash flows present fairly, in all material respects, the financial position of E. I. du Pont de Nemours and Company and its subsidiaries at December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a) (2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in "Management's Report on Internal Control over Financial Reporting" appearing on page F-2. Our responsibility is to express opinions on these financial statements, on the financial statement schedule and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.



PricewaterhouseCoopers LLP  
Philadelphia, Pennsylvania  
February 2, 2017

**E. I. du Pont de Nemours and Company**  
**Consolidated Financial Statements**

**CONSOLIDATED INCOME STATEMENTS**

*(Dollars in millions, except per share)*

<b>For the year ended December 31,</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Net sales</b>	\$ 24,594	\$ 25,130	\$ 28,406
Cost of goods sold	14,469	15,112	17,023
Other operating charges	686	459	645
Selling, general and administrative expenses	4,319	4,615	4,891
Research and development expense	1,641	1,898	1,958
Other income, net	(708)	(697)	(1,277)
Interest expense	370	342	377
Employee separation / asset related charges, net	552	810	476
<b>Income from continuing operations before income taxes</b>	<b>3,265</b>	<b>2,591</b>	<b>4,313</b>
Provision for income taxes on continuing operations	744	696	1,168
Income from continuing operations after income taxes	2,521	1,895	3,145
Income from discontinued operations after income taxes	4	64	491
<b>Net income</b>	<b>2,525</b>	<b>1,959</b>	<b>3,636</b>
Less: Net income attributable to noncontrolling interests	12	6	11
<b>Net income attributable to DuPont</b>	<b>\$ 2,513</b>	<b>\$ 1,953</b>	<b>\$ 3,625</b>
<b>Basic earnings per share of common stock:</b>			
Basic earnings per share of common stock from continuing operations	\$ 2.86	\$ 2.10	\$ 3.42
Basic earnings per share of common stock from discontinued operations	—	0.07	0.54
<b>Basic earnings per share of common stock</b>	<b>\$ 2.87</b>	<b>\$ 2.17</b>	<b>\$ 3.95</b>
<b>Diluted earnings per share of common stock:</b>			
Diluted earnings per share of common stock from continuing operations	\$ 2.85	\$ 2.09	\$ 3.39
Diluted earnings per share of common stock from discontinued operations	—	0.07	0.53
<b>Diluted earnings per share of common stock</b>	<b>\$ 2.85</b>	<b>\$ 2.16</b>	<b>\$ 3.92</b>
<b>Dividends per share of common stock</b>	<b>\$ 1.52</b>	<b>\$ 1.72</b>	<b>\$ 1.84</b>

See Notes to the Consolidated Financial Statements beginning on page F-9.

**E. I. du Pont de Nemours and Company**  
**Consolidated Financial Statements**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

*(Dollars in millions, except per share)*

<b>For the year ended December 31,</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Net income</b>	\$ 2,525	\$ 1,959	\$ 3,636
Other comprehensive loss, net of tax:			
Cumulative translation adjustment	(510)	(1,605)	(876)
Adjustments to pension benefit plans	323	574	(2,199)
Adjustments to other benefit plans	(379)	(240)	(232)
Net change in unrealized gains (losses) on securities	20	(19)	—
Net gains (losses) on cash flow hedging derivative instruments	31	(18)	42
Total other comprehensive loss	(515)	(1,308)	(3,265)
<b>Comprehensive income</b>	<b>2,010</b>	<b>651</b>	<b>371</b>
Comprehensive income attributable to noncontrolling interests, net of tax	12	6	12
<b>Comprehensive income attributable to DuPont</b>	<b>\$ 1,998</b>	<b>\$ 645</b>	<b>\$ 359</b>

See Notes to the Consolidated Financial Statements beginning on page F-9.

**E. I. du Pont de Nemours and Company**  
**Consolidated Financial Statements**

**CONSOLIDATED BALANCE SHEETS**

(Dollars in millions, except per share)

<b>December 31,</b>	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 4,605	\$ 5,300
Marketable securities	1,362	906
Accounts and notes receivable, net	4,971	4,643
Inventories	5,673	6,140
Prepaid expenses	506	398
Total current assets	17,117	17,387
<b>Property, plant and equipment</b>	23,967	24,130
Less: Accumulated depreciation	14,736	14,346
Net property, plant and equipment	9,231	9,784
<b>Goodwill</b>	4,180	4,248
<b>Other intangible assets</b>	3,664	4,144
<b>Investment in affiliates</b>	649	688
<b>Deferred income taxes</b>	3,308	3,799
<b>Other assets</b>	1,815	1,116
<b>Total</b>	<b>\$ 39,964</b>	<b>\$ 41,166</b>
<b>Liabilities and Equity</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 3,705	\$ 3,398
Short-term borrowings and capital lease obligations	429	1,165
Income taxes	101	173
Other accrued liabilities	4,662	5,580
Total current liabilities	8,897	10,316
<b>Long-term borrowings and capital lease obligations</b>	8,107	7,642
<b>Other liabilities</b>	12,333	12,591
<b>Deferred income taxes</b>	431	417
Total liabilities	29,768	30,966
<b>Commitments and contingent liabilities</b>		
<b>Stockholders' Equity</b>		
Preferred stock, without par value – cumulative; 23,000,000 shares authorized; issued at December 31, 2016 and 2015:		
\$4.50 Series – 1,673,000 shares (callable at \$120)	167	167
\$3.50 Series – 700,000 shares (callable at \$102)	70	70
Common stock, \$.30 par value; 1,800,000,000 shares authorized; issued at December 31, 2016 – 950,044,000; 2015 – 958,388,000	285	288
Additional paid-in capital	11,190	11,081
Reinvested earnings	14,924	14,510
Accumulated other comprehensive loss	(9,911)	(9,396)
Common stock held in treasury, at cost (Shares: December 31, 2016 and 2015 – 87,041,000)	(6,727)	(6,727)
Total DuPont stockholders' equity	9,998	9,993
Noncontrolling interests	198	207
Total equity	10,196	10,200
<b>Total</b>	<b>\$ 39,964</b>	<b>\$ 41,166</b>

See Notes to the Consolidated Financial Statements beginning on page F-9.

**E. I. du Pont de Nemours and Company**  
**Consolidated Financial Statements**

**CONSOLIDATED STATEMENTS OF EQUITY**

(Dollars in millions, except per share)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Reinvested Earnings	Accumulated Other Compre- hensive Loss	Treasury Stock	Non- controlling Interests	Total Equity
<b>2014</b>								
Balance January 1, 2014	\$ 237	\$ 304	\$ 11,072	\$ 16,633	\$ (5,290)	\$ (6,727)	\$ 57	\$ 16,286
Sale of a majority interest in a consolidated subsidiary							(5)	(5)
Net income				3,625			11	3,636
Other comprehensive (loss) income					(3,266)		1	(3,265)
Common dividends (\$1.84 per share)				(1,695)			(6)	(1,701)
Preferred dividends				(10)				(10)
Common stock issued - compensation plans		3	434					437
Common stock repurchased						(2,000)		(2,000)
Common stock retired		(9)	(332)	(1,659)		2,000		—
Balance December 31, 2014	\$ 237	\$ 298	\$ 11,174	\$ 16,894	\$ (8,556)	\$ (6,727)	\$ 58	\$ 13,378
<b>2015</b>								
Consolidation of a joint venture			(1)				151	150
Net income				1,953			6	1,959
Other comprehensive loss					(1,308)			(1,308)
Common dividends (\$1.72 per share)				(1,542)			(4)	(1,546)
Preferred dividends				(10)				(10)
Common stock issued - compensation plans		2	359					361
Common stock repurchased						(2,353)		(2,353)
Common stock retired		(12)	(451)	(1,890)		2,353		—
Spin-off of Chemours				(895)	468		(4)	(431)
Balance December 31, 2015	\$ 237	\$ 288	\$ 11,081	\$ 14,510	\$ (9,396)	\$ (6,727)	\$ 207	\$ 10,200
<b>2016</b>								
Sale of a majority interest in a consolidated subsidiary			(4)				(5)	(9)
Net income				2,513			12	2,525
Other comprehensive loss					(515)			(515)
Common dividends (\$1.52 per share)				(1,331)			(16)	(1,347)
Preferred dividends				(10)				(10)
Common stock issued - compensation plans		1	267					268
Common stock repurchased						(916)		(916)
Common stock retired		(4)	(154)	(758)		916		—
Balance December 31, 2016	\$ 237	\$ 285	\$ 11,190	\$ 14,924	\$ (9,911)	\$ (6,727)	\$ 198	\$ 10,196

See Notes to the Consolidated Financial Statements beginning on page F-9.

**E. I. du Pont de Nemours and Company**  
**Consolidated Financial Statements**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Dollars in millions)

For the year ended December 31,	2016	2015	2014
<b>Operating activities</b>			
Net income	\$ 2,525	\$ 1,959	\$ 3,636
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation	939	1,104	1,254
Amortization of intangible assets	319	362	363
Net periodic pension benefit cost	572	591	406
Contributions to pension plans	(535)	(308)	(311)
Gain on sales of businesses and other assets	(436)	(59)	(726)
Asset related charges	682	147	174
Other operating activities – net	366	106	192
(Increase) decrease in operating assets:			
Accounts and notes receivable	(270)	(448)	(88)
Inventories and other operating assets	(54)	164	(318)
(Decrease) increase in operating liabilities:			
Accounts payable and other operating liabilities	(704)	(1,063)	(1,064)
Accrued interest and income taxes	(104)	(239)	194
Cash provided by operating activities	3,300	2,316	3,712
<b>Investing activities</b>			
Purchases of property, plant and equipment	(1,019)	(1,629)	(2,020)
Investments in affiliates	(19)	(76)	(42)
Payments for businesses – net of cash acquired	—	(152)	—
Proceeds from sales of businesses and other assets - net	316	156	1,092
Purchases of short-term financial instruments	(2,633)	(1,897)	(936)
Proceeds from maturities and sales of short-term financial instruments	2,181	1,121	950
Foreign currency exchange contract settlements	(385)	615	430
Other investing activities – net	45	34	189
Cash used for investing activities	(1,514)	(1,828)	(337)
<b>Financing activities</b>			
Dividends paid to stockholders	(1,335)	(1,546)	(1,696)
Net increase (decrease) in short-term (less than 90 days) borrowings	387	(1)	(11)
Long-term and other borrowings:			
Receipts	813	3,679	104
Payments	(1,440)	(1,537)	(1,794)
Repurchase of common stock	(916)	(2,353)	(2,000)
Proceeds from exercise of stock options	181	274	327
Cash transferred to Chemours at spin-off	—	(250)	—
Other financing activities – net	(18)	(89)	(4)
Cash used for financing activities	(2,328)	(1,823)	(5,074)
Effect of exchange rate changes on cash	(153)	(275)	(332)
<b>Decrease in cash and cash equivalents</b>	(695)	(1,610)	(2,031)
<b>Cash and cash equivalents at beginning of year</b>	5,300	6,910	8,941
<b>Cash and cash equivalents at end of year</b>	\$ 4,605	\$ 5,300	\$ 6,910
<b>Supplemental cash flow information:</b>			
<b>Cash paid during the year for</b>			
Interest, net of amounts capitalized	\$ 386	\$ 341	\$ 394
Income taxes	735	885	1,016

See Notes to the Consolidated Financial Statements beginning on page F-9.

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements**  
*(Dollars in millions, except per share)*

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The company follows generally accepted accounting principles in the United States of America (GAAP). The significant accounting policies described below, together with the other notes that follow, are an integral part of the Consolidated Financial Statements.

**Preparation of Financial Statements**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Basis of Consolidation**

The Consolidated Financial Statements include the accounts of the company and subsidiaries in which a controlling interest is maintained. For those consolidated subsidiaries in which the company's ownership is less than 100 percent, the outside stockholders' interests are shown as noncontrolling interests. Investments in affiliates over which the company has significant influence but not a controlling interest are accounted for under the equity method.

The company is also involved with certain joint ventures accounted for under the equity method of accounting that are variable interest entities (VIEs). The company is not the primary beneficiary, as the nature of the company's involvement with the VIEs does not provide it the power to direct the VIEs significant activities. Future events may require these VIEs to be consolidated if the company becomes the primary beneficiary. At December 31, 2016 and 2015, the maximum exposure to loss related to the unconsolidated VIEs is not considered material to the Consolidated Financial Statements.

**Basis of Presentation**

Certain reclassifications of prior year's data have been made to conform to current year's presentation, including recasting the segment financial information as a result of the change in reportable segments which impacted the Industrial Biosciences segment, the DuPont Protection Solutions segment and Other. Refer to Note 21 for further information. As noted below under "Recent Accounting Pronouncements", effective January 1, 2016, the company adopted Accounting Standards Update (ASU) No. 2015-17, Income Taxes (Topic 740), Balance Sheet Classification of Deferred Taxes, which requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position on a retrospective basis. In conjunction with the adoption of ASU No. 2015-17, the company also retrospectively reclassified deferred charges previously recorded in the current deferred income taxes line item to prepaid expenses on the Consolidated Balance Sheets.

On July 1, 2015, the company completed the separation of its Performance Chemicals segment through the spin-off of all of the issued and outstanding stock of The Chemours Company (Chemours). In accordance with GAAP, the financial position and results of operations of the Performance Chemicals segment are presented as discontinued operations and, as such, have been excluded from continuing operations and segment results for all periods presented. The sum of the individual earnings per share amounts from continuing operations and discontinued operations may not equal the total company earnings per share amounts due to rounding. The assets and liabilities related to the Performance Chemicals segment are presented as assets of discontinued operations and liabilities of discontinued operations in the Consolidated Balance Sheets for all periods presented. The cash flows and comprehensive income related to the Performance Chemicals segment have not been segregated and are included in the Consolidated Statements of Cash Flows and Comprehensive Income, respectively, for all periods presented. Amounts related to the Performance Chemicals segment are consistently included or excluded from the Notes to the Consolidated Financial Statements based on the respective financial statement line item. See Note 3 for additional information.

**Revenue Recognition**

The company recognizes revenue when the earnings process is complete. The company's revenues are from the sale of a wide range of products to a diversified base of customers around the world. Revenue for product sales is recognized upon delivery, when title and risk of loss have been transferred, collectability is reasonably assured and pricing is fixed or determinable. A majority of product sales are sold FOB (free on board) shipping point or, with respect to non United States of America (U.S.) customers, an equivalent basis. Accruals are made for sales returns and other allowances based on the company's experience. The company accounts for cash sales incentives as a reduction in sales and noncash sales incentives as a charge to cost of goods sold or selling expense, depending on the nature of the incentive. Amounts billed to customers for shipping and handling fees are included in net sales and costs incurred by the company for the delivery of goods are classified as cost of goods sold in the Consolidated Income Statements. Taxes on revenue-producing transactions are excluded from net sales.



**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

The company periodically enters into prepayment contracts with customers in the Agriculture segment and receives advance payments for product to be delivered in future periods. These advance payments are recorded as deferred revenue (classified as other accrued liabilities) or debt, depending on the nature of the program. Revenue associated with advance payments is recognized as shipments are made and title, ownership and risk of loss pass to the customer.

Licensing and royalty income is recognized in accordance with agreed upon terms, when performance obligations are satisfied, the amount is fixed or determinable and collectability is reasonably assured.

**Cost of Goods Sold**

Cost of goods sold primarily includes the cost of manufacture and delivery, ingredients or raw materials, direct salaries, wages and benefits and overhead.

**Other Operating Charges**

Other operating charges includes product claim charges and recoveries, non-capitalizable costs associated with capital projects and other operational expenses.

**Research and Development**

Research and development costs are expensed as incurred. Research and development expense includes costs (primarily consisting of employee costs, materials, contract services, research agreements, and other external spend) relating to the discovery and development of new products, enhancement of existing products and regulatory approval of new and existing products.

**Selling, General and Administrative Expenses**

Selling, general and administrative expenses primarily include selling and marketing expenses, commissions, functional costs, and business management expenses.

**Cash and Cash Equivalents**

Cash equivalents represent investments with maturities of three months or less from time of purchase. They are carried at cost plus accrued interest.

**Marketable Securities**

Marketable securities represent investments in fixed and floating rate financial instruments with maturities greater than three months and up to twelve months at time of purchase. Investments classified as held-to-maturity are recorded at amortized cost. The carrying value approximates fair value due to the short-term nature of the investments. Investments classified as available-for-sale are carried at estimated fair value with unrealized gains and losses recorded as a component of accumulated other comprehensive income (loss).

**Fair Value Measurements**

Under the accounting guidance for fair value measurements and disclosures, a fair value hierarchy was established that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The company uses the following valuation techniques to measure fair value for its assets and liabilities:

- |         |  |
|---------|--|
| Level 1 | – Quoted market prices in active markets for identical assets or liabilities;  |
| Level 2 | – Significant other observable inputs (e.g. quoted prices for similar items in active markets, quoted prices for identical or similar items in markets that are not active, inputs other than quoted prices that are observable such as interest rate and yield curves, and market-corroborated inputs); |
| Level 3 | – Unobservable inputs for the asset or liability, which are valued based on management's estimates of assumptions that market participants would use in pricing the asset or liability.  |

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

**Inventories**

The company's inventories are valued at the lower of cost or net realizable value. Elements of cost in inventories include raw materials, direct labor and manufacturing overhead. Stores and supplies are valued at cost or net realizable value, whichever is lower; cost is generally determined by the average cost method.

As of December 31, 2016 and 2015, approximately 55 , 30 and 15 percent of the company's inventories were accounted for under the first-in, first-out (FIFO), average cost and last-in, first-out (LIFO) methods, respectively. Inventories accounted for under the FIFO method are primarily comprised of products with shorter shelf lives such as seeds, certain food-ingredients and enzymes.

The company establishes allowances for obsolescence of inventory based upon quality considerations and assumptions about future demand and market conditions.

**Property, Plant and Equipment**

Property, plant and equipment is carried at cost and is depreciated using the straight-line method. Substantially all equipment and buildings are depreciated over useful lives ranging from 15 to 25 years. Capitalizable costs associated with computer software for internal use are amortized on a straight-line basis over 5 to 7 years. When assets are surrendered, retired, sold or otherwise disposed of, their gross carrying values and related accumulated depreciation are removed from the Consolidated Balance Sheets and included in determining gain or loss on such disposals.

Maintenance and repairs are charged to operations; replacements and improvements are capitalized.

**Goodwill and Other Intangible Assets**

Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill and indefinite-lived intangible assets are tested for impairment at least annually; however, these tests are performed more frequently when events or changes in circumstances indicate that the asset may be impaired. Impairment exists when carrying value exceeds fair value. The company's fair value methodology is primarily based on discounted cash flow techniques.

Definite-lived intangible assets, such as purchased and licensed technology, patents and customer lists are amortized over their estimated useful lives, generally for periods ranging from 1 to 20 years or amortized based on units of production. The company continually evaluates the reasonableness of the useful lives of these assets. Once these assets are fully amortized, they are removed from the Consolidated Balance Sheets.

**Impairment of Long-Lived Assets**

The company evaluates the carrying value of long-lived assets to be held and used when events or changes in circumstances indicate the carrying value may not be recoverable. The carrying value of a long-lived asset group is considered impaired when the total projected undiscounted cash flows from the assets are separately identifiable and are less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset. The company's fair value methodology is an estimate of fair market value which is made based on prices of similar assets or other valuation methodologies including present value techniques. Long-lived assets to be disposed of other than by sale are classified as held for use until their disposal. Long-lived assets to be disposed of by sale are classified as held for sale and are reported at the lower of carrying amount or fair market value less cost to sell. Depreciation is discontinued for long-lived assets classified as held for sale.

**Royalty Expense**

The company's Agriculture segment currently has certain third party biotechnology trait license agreements, which require up-front and variable payments subject to the licensor meeting certain conditions. These payments are reflected as prepaid expenses and other assets and are amortized to cost of goods sold as seeds containing the respective trait technology are utilized over the life of the license. The company evaluates the carrying value of the prepaid royalties when events or changes in circumstances indicate the carrying value may not be recoverable.

**Environmental**

Accruals for environmental matters are recorded in operating expenses when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. Accrued liabilities do not include claims against third parties and are not discounted.

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

Costs related to environmental remediation and restoration are charged to expense. Other environmental costs are also charged to expense unless they increase the value of the property or reduce or prevent contamination from future operations, in which case, they are capitalized.

**Litigation**

The company accrues for liabilities related to litigation matters when the information available indicates that it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. Legal costs such as outside counsel fees and expenses are charged to expense in the period incurred.

**Insurance/Self-Insurance**

The company self-insures certain risks where permitted by law or regulation, including workers' compensation, vehicle liability and employee related benefits. Liabilities associated with these risks are estimated in part by considering historical claims experience, demographic factors and other actuarial assumptions. For other risks, the company uses a combination of insurance and self-insurance, reflecting comprehensive reviews of relevant risks. A receivable for an insurance recovery is generally recognized when the loss has occurred and collection is considered probable.

**Income Taxes**

The provision for income taxes is determined using the asset and liability approach of accounting for income taxes. Under this approach, deferred taxes represent the future tax consequences expected to occur when the reported amounts of assets and liabilities are recovered or paid. The provision for income taxes represents income taxes paid or payable for the current year plus the change in deferred taxes during the year. Deferred taxes result from differences between the financial and tax basis of the company's assets and liabilities and are adjusted for changes in tax rates and tax laws when changes are enacted. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. Provision has been made for income taxes on unremitted earnings of subsidiaries and affiliates, except for subsidiaries in which earnings are deemed to be indefinitely reinvested. Investment tax credits or grants are accounted for in the period earned (the flow-through method). Interest accrued related to unrecognized tax benefits is included in miscellaneous income and expenses, net, within other income, net. Income tax related penalties are included in the provision for income taxes.

**Foreign Currency Translation**

The company's worldwide operations utilize the U.S. dollar (USD) or local currency as the functional currency, where applicable. The company identifies its separate and distinct foreign entities and groups the foreign entities into two categories: 1) extension of the parent (USD functional currency) and 2) self-contained (local functional currency). If a foreign entity does not align with either category, factors are evaluated and a judgment is made to determine the functional currency.

For foreign entities where the USD is the functional currency, all foreign currency-denominated asset and liability amounts are re-measured into USD at end-of-period exchange rates, except for inventories, prepaid expenses, property, plant and equipment, goodwill and other intangible assets, which are re-measured at historical rates. Foreign currency income and expenses are re-measured at average exchange rates in effect during the year, except for expenses related to balance sheet amounts re-measured at historical exchange rates. Exchange gains and losses arising from re-measurement of foreign currency-denominated monetary assets and liabilities are included in income in the period in which they occur.

For foreign entities where the local currency is the functional currency, assets and liabilities denominated in local currencies are translated into USD at end-of-period exchange rates and the resultant translation adjustments are reported, net of their related tax effects, as a component of accumulated other comprehensive income (loss) in equity. Assets and liabilities denominated in other than the local currency are re-measured into the local currency prior to translation into USD and the resultant exchange gains or losses are included in income in the period in which they occur. Income and expenses are translated into USD at average exchange rates in effect during the period.

The company changes the functional currency of its separate and distinct foreign entities only when significant changes in economic facts and circumstances indicate clearly that the functional currency has changed. As a result of the separation of its Performance Chemicals segment, coupled with the company's redesign initiative, the functional currency at certain of the company's foreign entities was re-evaluated which, in some cases, resulted in a change in the foreign entities' functional currency during 2015.

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

*Venezuelan Foreign Currency*

Venezuela is considered a highly inflationary economy under GAAP and the USD is the functional currency for the company's subsidiaries in Venezuela. The official exchange rate continues to be set through the National Center for Foreign Commerce (CENCOEX, previously CADIVI). Based on its evaluation of the restrictions and limitations affecting the availability of specific exchange rate mechanisms, management concluded in the second quarter of 2014 that the Alternative Currency Exchange System (SICAD 2) auction process would be the most likely mechanism available. As a result, in the second quarter of 2014, the company changed from the official exchange rate to the SICAD 2 exchange rate, which resulted in a pre-tax charge of \$58. The charge is recorded within other income, net in the company's Consolidated Income Statements for the year ended December 31, 2014.

During the first quarter of 2015, the Venezuelan government enacted additional changes to the country's foreign exchange systems including the introduction of the Foreign Exchange Marginal System (SIMADI) auction process. Management has concluded that the SIMADI auction process would be the most likely exchange mechanism available. As a result, effective in the first quarter of 2015, the company changed from the SICAD 2 to the SIMADI exchange rate, to re-measure its Bolívar Fuertes (VEF) denominated net monetary assets which resulted in a pre-tax charge of \$3. The charge is recorded within other income, net in the company's Consolidated Income Statements for the year ended December 31, 2015. The remaining net monetary assets and non-monetary assets are immaterial at December 31, 2016 and 2015, respectively.

**Hedging and Trading Activities**

Derivative instruments are reported in the Consolidated Balance Sheets at their fair values. For derivative instruments designated as fair value hedges, changes in the fair values of the derivative instruments will generally be offset in the income statement by changes in the fair value of the hedged items. For derivative instruments designated as cash flow hedges, the effective portion of any hedge is reported in accumulated other comprehensive income (loss) until it is cleared to earnings during the same period in which the hedged item affects earnings. The ineffective portion of all hedges is recognized in current period earnings. Changes in the fair values of derivative instruments that are not designated as hedges are recorded in current period earnings.

In the event that a derivative designated as a hedge of a firm commitment or an anticipated transaction is terminated prior to the maturation of the hedged transaction, gains or losses realized at termination are deferred and included in the measurement of the hedged transaction. If a hedged transaction matures, or is sold, extinguished, or terminated prior to the maturity of a derivative designated as a hedge of such transaction, gains or losses associated with the derivative through the date the transaction matured are included in the measurement of the hedged transaction and the derivative is reclassified as for trading purposes. Derivatives designated as hedges of anticipated transactions are reclassified as for trading purposes if the anticipated transaction is no longer probable.

Cash flows from derivative instruments accounted for as either fair value hedges or cash flow hedges are reported in the same category as the cash flows from the items being hedged. Cash flows from all other derivative instruments are generally reported as investing activities in the Consolidated Statements of Cash Flows. See Note 19 for additional discussion regarding the company's objectives and strategies for derivative instruments.

**Recent Accounting Pronouncements**

*Accounting Pronouncements Implemented in 2016*

In November 2015, the Financial Accounting Standards Board (FASB) issued ASU No. 2015-17, Income Taxes (Topic 740), Balance Sheet Classification of Deferred Taxes. The amendments under the new guidance require that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The guidance is effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Earlier application is permitted for all entities as of the beginning of an interim or annual reporting period. The amendments in this ASU may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. The company adopted this guidance effective January 1, 2016 on a retrospective basis. As a result of the adoption, \$368 and \$37 of deferred tax assets and liabilities, respectively, were reclassified from current to noncurrent assets and liabilities, respectively, as of December 31, 2015.

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

In May 2015, the FASB issued ASU No. 2015-07, Fair Value Measurement (Topic 820), Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share or its Equivalent. This guidance removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The guidance also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The guidance is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. A reporting entity should apply the amendments retrospectively to all periods presented and early adoption is permissible. The company adopted this guidance effective January 1, 2016. The guidance only impacts disclosure and did not impact the company's Consolidated Financial Statements.

*New Accounting Pronouncements to be Implemented*

In October 2016, the FASB issued ASU No. 2016-16, Income Taxes (Topic 740), Intra-Entity Transfers of Assets Other Than Inventory. The new guidance requires that entities recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs, rather than when the asset is sold to an outside party. The guidance is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those annual reporting periods. Early adoption is permitted as of the beginning of an annual reporting period (as of the first interim period if an entity issues interim financial statements). The new guidance requires adoption on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The company is currently evaluating the impact this guidance will have on the Consolidated Financial Statements and related disclosures.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments. The new guidance makes eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows. The guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. An entity that elects early adoption must adopt all of the amendments in the same period. The new guidance requires adoption on a retrospective basis unless it is impracticable to apply, in which case the company would be required to apply the amendments prospectively as of the earliest date practicable. The company is currently evaluating the impact this guidance will have on the Consolidated Financial Statements and related disclosures.

In March 2016, the FASB issued ASU No. 2016-09, Compensation - Stock Compensation (Topic 718), Improvements to Employee Share-Based Payment Accounting. The ASU was issued as part of the FASB Simplification Initiative and involves several aspects of accounting for share-based payment transactions, including income tax consequences, forfeitures and classification on the statement of cash flows. The guidance is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The company will adopt this standard on January 1, 2017. The primary effects of adoption for the company relate to changes in classification within the Consolidated Statements of Cash Flows and recognition of tax effects related to share-based payments. The new guidance requires all tax related cash flows resulting from share-based payments to be reported as cash provided by operating activities in the Consolidated Statements of Cash Flows. This is a change from the current requirement to present excess tax benefits as cash inflows from financing activities and tax deficiencies as cash outflows from operating activities. As permitted by the standard, the company has elected to adopt this reclassification on a retrospective basis. The updated guidance also requires all tax effects related to share-based payments to be recognized within the provision for income taxes in the Consolidated Income Statements. Previously excess tax benefits and tax deficiencies were recognized in additional paid-in capital in the Consolidated Balance Sheets. The standard does not permit retrospective adoption of this update. As such, the company will adopt this update on a prospective basis. The remaining updates required by this standard are not expected to have a material impact to the company's Consolidated Financial Statements.

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The amendments under the new guidance will require lessees to recognize almost all leases on their balance sheet as a right-of-use asset and a lease liability, other than leases that meet the definition of a short-term lease. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance. Classification will be based on criteria that are largely similar to those applied in current lease accounting. Lessor accounting is similar to the current model, but updated to align with certain changes to the lessee model and the new revenue recognition standard. The new leasing standard will be effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition, requiring application at the beginning of the earliest comparative period presented. The company is currently evaluating the impact of adopting this guidance on its financial position and results of operations. The company is the lessee under various agreements for facilities and equipment that are currently accounted for as operating leases as discussed in Note 15.

In May 2014, the FASB and the International Accounting Standards Board (IASB) jointly issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which was further updated in March, April, May, and December 2016. The new guidance clarifies the principles for recognizing revenue and develops a common revenue standard for GAAP and International Financial Reporting Standards (IFRS). The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The new standard also will result in additional disclosure requirements to describe the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In July 2015, the FASB approved a deferral of the ASU effective date from annual and interim periods beginning after December 15, 2016 to annual and interim periods beginning after December 15, 2017. The standard permits the use of either the retrospective or modified retrospective (cumulative-effect) transition method of adoption. The company continues to evaluate the impact of the new standard on its Consolidated Financial Statements and disclosures. Based on the analysis conducted to date, the company does not believe the impact upon adoption will be material to its Consolidated Financial Statements. The company plans to adopt the standard in the first quarter of 2018 under the modified retrospective transition method.

## **2. PLANNED MERGER WITH DOW**

On December 11, 2015, DuPont and The Dow Chemical Company (Dow) announced entry into an Agreement and Plan of Merger (the Merger Agreement), under which the companies will combine in an all-stock merger of equals subject to satisfaction of customary closing conditions, including receipt of regulatory approval. The combined company will be named DowDuPont Inc. (DowDuPont). Following the consummation of the merger, DuPont and Dow intend to pursue, subject to the receipt of approval by the board of directors of DowDuPont, the separation of the combined company's agriculture business, specialty products business and material science business through a series of tax-efficient transactions (collectively, the Intended Business Separations).

Subject to the terms and conditions of the Merger Agreement, each share of common stock, par value \$0.30 per share, of DuPont (DuPont Common Stock) issued and outstanding immediately prior to the Effective Time, excluding any shares of DuPont Common Stock that are held in treasury, will be converted into the right to receive 1.2820 shares common stock, par value \$0.01 per share, of DowDuPont (DowDuPont Common Stock), for each share of DuPont Common Stock with cash in lieu of any fractional share of DowDuPont. Each share of DuPont Preferred Stock-\$4.50 Series and DuPont Preferred Stock-\$3.50 Series, in each case issued and outstanding immediately prior to the Effective Time, shall remain issued and outstanding and be unaffected by the merger.

Subject to the terms and conditions set forth in the Merger Agreement, at the Effective Time, each share of common stock, par value \$2.50 per share, of Dow (the Dow Common Stock) issued and outstanding immediately prior to the Effective Time, excluding any shares of Dow Common Stock that are held in treasury, will be converted into the right to receive one share of DowDuPont Common Stock. On December 30, 2016, (the Dow Preferred Conversion Date) each share of Cumulative Convertible Perpetual Preferred Stock, Series A, par value \$1.00 per share, of Dow (the Dow Preferred) issued and outstanding immediately prior thereto, converted to 24.2010 shares of Dow Common Stock. As a result, on the Dow Preferred Conversion Date, Dow issued 96,804,000 shares of Common Stock.

Based on the aforementioned 1.2820 exchange ratio set forth in the Merger Agreement and the conversion of the Dow Preferred to Dow Common Stock, it is expected that DuPont common stockholders and Dow common stockholders will own approximately 48 percent and 52 percent, respectively, of the outstanding shares of DowDuPont Common Stock immediately following the Effective Time.

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

Conditions to the Merger

The completion of the merger is subject to the satisfaction or waiver of certain conditions, including (i) the receipt of certain domestic and foreign approvals under competition laws; (ii) DuPont and Dow reasonably determining that the merger does not constitute an acquisition of a 50 percent or greater interest in DuPont and Dow, respectively, under the principles of Section 355(e) of the Internal Revenue Code; (iii) the absence of governmental restraints or prohibitions preventing the consummation of the merger; and (iv) the approval of the shares of DowDuPont Common Stock to be issued in the merger for listing on the NYSE. The obligation of each of DuPont and Dow to consummate the merger is also conditioned on, among other things, the receipt of a tax opinion from the tax counsel as to the tax-free nature of the merger, and the truth and correctness of the representations and warranties made by the other party as of the closing date (subject to certain “materiality” and “material adverse effect” qualifiers).

Additional information about the Merger Agreement and the Intended Business Separations is set forth in the company’s Current Report on Form 8-K filed with the U.S. Securities and Exchange Commission (the SEC) on December 11, 2015; the company’s 2015 Annual Report filed with the SEC on February 4, 2016 and the registration statement on Form S-4 (File No. 333-209869) (as amended, the Registration Statement) filed by DowDuPont and declared effective by the SEC on June 9, 2016. The Registration Statement constitutes a prospectus of DowDuPont and includes a joint proxy statement of Dow and DuPont. The joint proxy statement relates to the separate special meetings of the companies’ respective common stock shareholders of record as of the close of business on June 2, 2016, to adopt the Merger Agreement and related matters. DuPont’s special meeting of stockholders was held on July 20, 2016, which resulted in a vote for adoption of the Merger Agreement and approval of related matters.

Consummation of the merger is contingent on satisfaction of customary closing conditions, including the receipt of regulatory approval from the U.S., European Union, China, Brazil and Canada. Subject to satisfaction of these customary closing conditions, including the receipt of regulatory approvals, closing would be expected to occur in first half of 2017.

Certain Other Terms of the Merger Agreement

The Merger Agreement contains mutual customary representations and warranties made by each of DuPont and Dow, and also contains mutual customary pre-closing covenants, including covenants, among others, (i) to operate its businesses in the ordinary course consistent with past practice and to refrain from taking certain actions without the other party’s consent, (ii) not to solicit, initiate, knowingly encourage or knowingly take any other action designed to facilitate, and, subject to certain exceptions, not to participate in any discussions or negotiations, or cooperate in any way with respect to, any inquiries or the making of, any proposal of an alternative transaction, (iii) subject to certain exceptions, not to withdraw, qualify or modify the support of its Board of Directors for the Merger Agreement and the merger, as applicable, and (iv) to use their respective reasonable best efforts to obtain governmental, regulatory and third party approvals, including by agreeing to any required divestiture of assets or business.

The Merger Agreement contains certain termination rights for each of DuPont and Dow, including in the event that (i) the merger is not consummated on or before March 15, 2017, subject to each party having the right to unilaterally extend the termination date of the Merger Agreement until June 15, 2017 (the Outside Date) in the event that the regulatory closing conditions have not been satisfied or (ii) if any restraint having the effect of preventing the consummation of the merger shall have become final and non-appealable or if any governmental entity that must grant a requisite regulatory approval has denied approval of the merger.

The Merger Agreement further provides that, upon termination of the Merger Agreement under specified circumstances, including (i) a change in the recommendation of the Board of Directors of DuPont and Dow or (ii) a termination of the Merger Agreement by DuPont and Dow, because of a material breach by the other party or because the merger is not consummated by the Outside Date, in each case set forth in this clause (ii) at a time when there was an offer or proposal for an alternative transaction with respect to such party and such party enters into or consummates an alternative transaction within 12 months following such date of termination, DuPont and Dow, as the case may be, will pay to the other party a termination fee equal to \$1,900 in cash.

During the years ended December 31, 2016 and 2015, the company incurred \$386 and \$10, respectively, of costs in connection with the planned merger with Dow and the Intended Business Separations, including costs relating to integration and separation planning. These costs were recorded in selling, general and administrative expenses in the company’s Consolidated Income Statements and primarily include financial advisory, legal, accounting, consulting and other advisory fees and expenses.

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

**3. DIVESTITURES AND OTHER TRANSACTIONS**

**DuPont (Shenzhen) Manufacturing Limited**

In March 2016, the company recognized the sale of its 100 percent ownership interest in DuPont (Shenzhen) Manufacturing Limited to the Feixiang Group. The sale of the entity, which held certain buildings and other assets, resulted in a pre-tax gain of \$369 ( \$214 net of tax). The gain was recorded in other income, net in the company's Consolidated Income Statements for the year ended December 31, 2016 and reflected as a Corporate item.

**Performance Chemicals**

On July 1, 2015 (the Distribution Date), DuPont completed the separation of its Performance Chemicals segment through the spin-off of all of the issued and outstanding stock of Chemours (the Separation). To effect the spin-off, DuPont distributed to its stockholders one share of Chemours common stock, par value \$0.01 per share, for every five shares of DuPont common stock, par value \$0.30 per share, (the Distribution) outstanding as of 5:00 p.m. June 23, 2015, the record date for the Distribution. In lieu of fractional shares of Chemours, stockholders of DuPont received cash, which generally was taxable. In connection with the Separation, the company and Chemours entered into a Separation Agreement, discussed below, and a Tax Matters Agreement and certain ancillary agreements, including an employee matters agreement, agreements related to transition and site services, and intellectual property cross licensing arrangements. In addition, the companies have entered into certain supply agreements. In the first quarter 2016, the company agreed in principle to prepay \$190 for certain goods and services expected to be delivered by Chemours. As of December 31, 2016, the balance of the prepayment was \$60 recorded within prepaid expenses on the Consolidated Balance Sheet, which is expected to be fully utilized through delivery of goods and services during 2017.

*Separation Agreement*

The company and Chemours entered into a Separation Agreement that sets forth, among other things, the agreements between the company and Chemours regarding the principal transactions necessary to effect the Separation and also sets forth ancillary agreements that govern certain aspects of the company's relationship with Chemours after the separation. Among other matters, the Separation Agreement and the ancillary agreements provide for the allocation between DuPont and Chemours of assets, employees, liabilities and obligations (including investments, property and employee benefits and tax-related assets and liabilities) attributable to periods prior to, at and after the completion of the Separation.

Pursuant to the Separation Agreement, Chemours indemnifies DuPont against certain litigation, environmental, workers' compensation and other liabilities that arose prior to the distribution. The term of this indemnification is indefinite and includes defense costs and expenses, as well as monetary and non-monetary settlements and judgments. In connection with the recognition of liabilities related to these matters, the company records an indemnification asset when recovery is deemed probable. At December 31, 2016, the indemnified assets are \$81 within accounts and notes receivable, net and \$444 within other assets along with the corresponding liabilities of \$81 within other accrued liabilities and \$444 within other liabilities on the Consolidated Balance Sheet.

The results of operations of the Performance Chemicals segment are presented as discontinued operations as summarized below:

For the year ended December 31,	2016	2015	2014
<b>Net sales</b>	\$ —	\$ 2,810	\$ 6,317
Cost of goods sold	—	2,215	4,680
Other operating charges	36	386	422
Selling, general and administrative expenses	—	(87)	453
Research and development expense	—	40	109
Other income, net	(3)	(27)	(46)
Interest expense	—	32	—
Employee separation / asset related charges, net	—	59	21
(Loss) income from discontinued operations before income taxes	(33)	192	678
(Benefit from) provision for income taxes	(28)	106	202
(Loss) income from discontinued operations after income taxes	\$ (5)	\$ 86	\$ 476



**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

During the years ended December 31, 2016, 2015 and 2014, the company incurred \$35, \$306, and \$175 of costs, respectively, in connection with the transaction primarily related to professional fees associated with preparation of regulatory filings and separation activities within finance, tax, legal, and information system functions. Income from discontinued operations during the years ended December 31, 2016, 2015 and 2014, includes \$35, \$260 and \$142 of these costs, respectively. Income from continuing operations during the years ended December 31, 2015 and 2014, includes \$26 and \$33 of these costs, respectively, recorded in other operating charges in the company's Consolidated Income Statements. Income from continuing operations during the year ended December 31, 2015 also included \$20 of transaction costs incurred for a premium associated with the early retirement of DuPont debt. The company exchanged notes received from Chemours in May 2015 (as part of a dividend payment) for DuPont debt that it then retired. These costs were reported in interest expense in the company's Consolidated Income Statements.

During the year ended December 31, 2015, in connection with the separation, the company recorded an other post employment benefit plan curtailment gain of \$274 and a pension curtailment gain of \$7. See Note 17 for further discussion.

Income from discontinued operations during the year ended December 31, 2015, included a restructuring charge of \$59, consisting of severance and related benefit costs associated with the Performance Chemicals segment to achieve fixed cost and operational productivity improvements for Chemours post-spin.

In connection with the spin-off, the company received a dividend from Chemours in May 2015 of \$3,923 comprised of a cash distribution of \$3,416 and a distribution in-kind of \$507 of 7 percent senior unsecured notes due 2025 (Chemours Notes Received). Chemours financed the dividend payment through issuance of approximately \$4,000 of debt, including the Chemours Notes Received (Chemours' Debt). Net assets of \$431 were transferred to Chemours on July 1, 2015, including the \$4,000 of Chemours' Debt.

The following table presents the depreciation, amortization and purchases of property, plant and equipment of the discontinued operations related to Performance Chemicals:

For the year ended December 31,	2015	2014
Depreciation	\$ 126	\$ 248
Amortization of intangible assets	2	3
Purchases of property, plant and equipment	235	525

**Glass Laminating Solutions/Vinyls**

In June 2014, the company sold Glass Laminating Solutions/Vinyls (GLS/Vinyls), a part of the Performance Materials segment, to Kuraray Co. Ltd. The sale resulted in a pre-tax gain of \$391 (\$273 net of tax). The gain was recorded in other income, net in the company's Consolidated Income Statements for the year ended December 31, 2014.

**Performance Coatings**

In February 2013, the company sold its Performance Coatings business to Flash Bermuda Co. Ltd., a Bermuda exempted limited liability company formed by affiliates of The Carlyle Group (collectively referred to as "Carlyle").

The results of discontinued operations related to Performance Coatings are summarized below:

For the year ended December 31,	2016	2015	2014
Net sales	\$ —	\$ —	\$ —
Income (loss) from discontinued operations before income taxes <sup>1,2</sup>	\$ 6	\$ (23)	\$ —
Benefit from income taxes <sup>3</sup>	(3)	(1)	(15)
Income (loss) from discontinued operations after income taxes	\$ 9	\$ (22)	\$ 15

<sup>1.</sup> The year ended December 31, 2016 includes a pre-tax benefit of \$6 primarily related to a postretirement settlement gain.

<sup>2.</sup> The year ended December 31, 2015 includes a pre-tax net charge of \$(23) related to a postretirement settlement charge and other employee related settlement adjustments.

<sup>3.</sup> The year ended December 31, 2014 includes a tax benefit of \$ (15) related to a change in estimate of income taxes resulting from the filing of various tax returns impacted by the sale of Performance Coatings.

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

**4. EMPLOYEE SEPARATION/ASSET RELATED CHARGES, NET**

**La Porte Plant, La Porte, Texas**

In March 2016, DuPont announced its decision to not re-start the Agriculture segment's insecticide manufacturing facility at the La Porte site located in La Porte, Texas. The facility manufactures Lannate® and Vydate® insecticides and has been shut down since November 2014. As a result of this decision, during the year ended December 31, 2016, a pre-tax charge of \$68 was recorded in employee separation / asset related charges, net which included \$41 of asset related charges, \$11 of contract termination costs, and \$16 of employee severance and related benefit costs.

**2016 Global Cost Savings and Restructuring Program**

In December 2015, DuPont committed to take structural actions across all businesses and staff functions globally to operate more efficiently by further consolidating businesses and aligning staff functions more closely with them as part of a 2016 global cost savings and restructuring plan. As a result, during the year ended December 31, 2015, a pre-tax charge of \$798 was recorded, consisting of \$793 of employee separation / asset related charges, net and \$5 in other income, net in the company's Consolidated Income Statements. The charges consisted of \$656 in severance and related benefit costs, \$109 in asset related charges, and \$33 in contract termination charges.

During the year ended December 31, 2016, in connection with the restructuring actions, the company recorded a net pre-tax benefit to earnings of \$(85), consisting of \$(88) in employee separation / asset related charges, net, and a \$3 charge to other income, net in the company's Consolidated Income Statements. The net benefit was comprised of a reduction of \$(154) in severance and related benefit costs, offset by \$53 of asset related charges, and \$16 of contract termination costs. This was primarily due to a reduction in severance and related benefit costs partially offset by the identification of additional projects in certain segments. The reduction in severance and related benefit costs was driven by elimination of positions at a lower cost than expected as a result of redeployments and attrition as well as lower than estimated individual severance costs.

The restructuring actions associated with this charge impacted approximately 10 percent of DuPont's workforce and are substantially complete.

The 2016 restructuring program (benefits) charges related to the segments, as well as corporate expenses, were as follows:

For the year ended December 31,	2016	2015
Agriculture	\$ 23	\$ 161
Electronics & Communications	(2)	93
Industrial Biosciences	(5)	60
Nutrition & Health	(7)	47
Performance Materials	(4)	61
Protection Solutions	(13)	44
Other	11	2
Corporate Expenses	(88)	330
	\$ (85)	\$ 798

At December 31, 2016 and 2015, total liabilities related to the restructuring program were \$122 and \$680, respectively.

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

Account balances and activity for the restructuring program are summarized below:

	Severance and Related Benefit Costs	Asset Related Charges	Other Non- Personnel Charges <sup>1</sup>	Total
Balance at December 31, 2015	\$ 648	\$ —	\$ 32	\$ 680
Payments	(393)	—	(26)	(419)
Net translation adjustment	(1)	—	—	(1)
Other adjustments	(154)	53	16	(85)
Asset write-offs	—	(53)	—	(53)
Balance at December 31, 2016	\$ 100	\$ —	\$ 22	\$ 122

<sup>1</sup>. Other non-personnel charges consist of contractual obligation costs.

**2014 Restructuring Program**

In June 2014, DuPont announced its global, multi-year initiative to redesign its global organization and operating model to reduce costs and improve productivity and agility across all businesses and functions. DuPont commenced a restructuring plan to realign and rebalance staff function support, enhance operational efficiency, and to reduce residual costs associated with the separation of its Performance Chemicals segment. At December 31, 2016 and 2015, total liabilities related to the 2014 restructuring program were \$9 and \$ 78 , respectively. During the year ended December 31, 2016 a benefit of \$(21) was recorded in employee separation / asset related charges, net in the company's Consolidated Income Statements to reduce the accrual for severance costs.

During the year ended December 31, 2015, a net benefit of \$(21) was recorded to adjust the estimated costs associated with the 2014 restructuring program in employee separation / asset related charges, net in the company's Consolidated Income Statements. This was primarily due to lower than estimated individual severance costs and workforce reductions achieved through non-severance programs, offset by the identification of additional projects in certain segments.

During the year ended December 31, 2014 a pre-tax charge of \$541 was recorded, consisting of \$476 in employee separation / asset related charges, net and \$65 in other income, net in the company's Consolidated Income Statements. The charges consisted of \$301 of severance and related benefit costs, \$17 of other non-personnel charges, and \$223 of asset related charges, including \$65 of charges associated with the restructuring actions of a joint venture within the Performance Materials segment.

The 2014 restructuring program (benefits) charges related to the segments, as well as corporate expenses, were as follows:

For the year ended December 31,	2016	2015	2014
Agriculture	\$ (1)	\$ 3	\$ 134
Electronics & Communications	(2)	(15)	84
Industrial Biosciences	(1)	1	20
Nutrition & Health	(2)	3	15
Performance Materials	(1)	1	99
Protection Solutions	(1)	(4)	45
Other	—	1	10
Corporate Expenses	(13)	(11)	134
	\$ (21)	\$ (21)	\$ 541

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

**Asset Impairments**

In the fourth quarter 2015, the company elected to defer further testing and deployment of a multi-year, phased implementation of an enterprise resource planning (ERP) system; which had not been placed in service as of year-end 2016. At December 31, 2016, the company had capitalized costs associated with the ERP system of \$435. In connection with IT strategy reviews conducted during the fourth quarter of 2016, the company reviewed considerations around the timing of restarting testing and deployment of the ERP system. As a result, the company intends to complete and place in service the ERP system, however, given the uncertainties related to implementation timing as well as potential developments and changes to technologies in the market place at the time of restart, use of this ERP system can no longer be considered probable. As a result, due to the specificity of the design related to the ERP system, the company determined that the uncompleted ERP system has a fair value of zero and recorded a pre-tax charge of \$435 in employee separation / asset related charges, net in the company's Consolidated Income Statements during the year ended December 31, 2016.

The company recognized a \$158 pre-tax impairment charge in employee separation / asset related charges, net in the company's Consolidated Income Statements during the year ended December 31, 2016 related to indefinite-lived intangible trade names within the Industrial Biosciences segment. In connection with business strategy reviews and brand realignment conducted during the third quarter 2016, the company decided to phase out the use of certain acquired trade names within the segment resulting in a change from an indefinite life to a finite useful life for these assets. As a result of these changes, the carrying value of the trade name assets exceeded the fair value.

The basis of the fair value for the charges was calculated utilizing an income approach (relief from royalty method) using Level 3 inputs within the fair value hierarchy, as described in Note 1. The key assumptions used in the calculation included projected revenue, royalty rates and discount rates. These key assumptions involve management judgment and estimates relating to future operating performance and economic conditions that may differ from actual cash flows. After the recognition of the impairment charge, the remaining net book value of the trade names was \$28, which represented fair value.

During the first quarter 2015, a \$38 pre-tax impairment charge was recorded in employee separation / asset related charges, net within the Other segment in the company's Consolidated Income Statements. The majority relates to a cost basis investment in which the assessment resulted from the venture's revised operating plan reflecting underperformance of its European wheat based ethanol facility and deteriorating European ethanol market conditions. One of the primary investors communicated that they would not fund the revised operating plan of the investee. As a result, the carrying value of DuPont's 6 percent cost basis investment in this venture exceeds its fair value by \$37, such that an impairment charge was recorded.

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

**5. OTHER INCOME, NET**

	2016	2015	2014
Royalty income	\$ 170	\$ 138	\$ 156
Interest income	107	129	129
Equity in earnings (loss) of affiliates, net	99	49	(36)
Net gains on sales of businesses and other assets <sup>1</sup>	435	92	710
Net exchange (losses) gains	(106)	30	196
Miscellaneous income and expenses, net <sup>2</sup>	3	259	122
Other income, net	\$ 708	\$ 697	\$ 1,277

<sup>1.</sup> Includes a pre-tax gain of \$369 ( \$214 net of tax) for the year ended December 31, 2016 related to the sale of DuPont (Shenzhen) Manufacturing Limited. See Note 3 for additional information.

<sup>2.</sup> Miscellaneous income and expenses, net, includes interest items, gains related to litigation settlements, gains/losses on available-for-sale securities and other items.

The following table summarizes the impacts of the company's foreign currency hedging program on the company's results from operations for the years ended December 31, 2016, 2015 and 2014. The company routinely uses foreign currency exchange contracts to offset its net exposures, by currency, related to the foreign currency-denominated monetary assets and liabilities. The objective of this program is to maintain an approximately balanced position in foreign currencies in order to minimize, on an after-tax basis, the effects of exchange rate changes on net monetary asset positions. The hedging program gains are largely taxable in the U.S., whereas the offsetting exchange losses on the re-measurement of the net monetary asset positions are often not tax deductible in their local jurisdictions. The net pre-tax exchange gains (losses) are recorded in other income, net and the related tax impact is recorded in provision for income taxes on continuing operations on the Consolidated Income Statements.

	2016	2015	2014
<b><u>Subsidiary/Affiliate Monetary Position Gain (Loss)</u></b>			
Pretax exchange gain (loss)	\$ 198	\$ (404)	\$ (411)
Local tax expenses	(126)	(61)	(207)
Net after-tax impact from subsidiary exchange gain (loss)	\$ 72	\$ (465)	\$ (618)
<b><u>Hedging Program Gain (Loss)</u></b>			
Pretax exchange (loss) gain	\$ (304)	\$ 434	\$ 607
Tax benefits (expenses)	110	(157)	(212)
Net after-tax impact from hedging program exchange (loss) gain	\$ (194)	\$ 277	\$ 395
<b><u>Total Exchange Gain (Loss)</u></b>			
Pretax exchange (loss) gain	\$ (106)	\$ 30	\$ 196
Tax expenses	(16)	(218)	(419)
Net after-tax exchange loss	\$ (122)	\$ (188)	\$ (223)

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

**6. PROVISION FOR INCOME TAXES**

	2016	2015	2014
Current tax expense on continuing operations:			
U.S. federal	\$ 40	\$ 218	\$ 656
U.S. state and local	11	7	38
International	592	466	449
Total current tax expense on continuing operations	643	691	1,143
Deferred tax expense on continuing operations:			
U.S. federal	27	139	91
U.S. state and local	(29)	4	(42)
International	103	(138)	(24)
Total deferred tax expense on continuing operations	101	5	25
Provision for income taxes on continuing operations	\$ 744	\$ 696	\$ 1,168

The significant components of deferred tax assets and liabilities at December 31, 2016 and 2015, are as follows:

	2016		2015	
	Asset	Liability	Asset	Liability
Depreciation	\$ —	\$ 742	\$ —	\$ 953
Accrued employee benefits	4,529	410	4,812	374
Other accrued expenses	617	222	624	61
Inventories	163	144	89	99
Unrealized exchange gains/losses	—	346	—	224
Tax loss/tax credit carryforwards/back	1,808	—	2,124	—
Investment in subsidiaries and affiliates	126	230	133	154
Amortization of intangibles	210	1,345	187	1,331
Other	257	86	215	77
Valuation allowance	(1,308)	—	(1,529)	—
	\$ 6,402	\$ 3,525	\$ 6,655	\$ 3,273
Net deferred tax asset	\$ 2,877		\$ 3,382	

An analysis of the company's effective income tax rate (EITR) on continuing operations is as follows:

	2016	2015	2014
Statutory U.S. federal income tax rate	35.0 %	35.0 %	35.0 %
Exchange gains/losses <sup>1</sup>	1.6	8.0	8.1
Domestic operations	(3.7)	(2.8)	(2.8)
Lower effective tax rates on international operations-net	(9.3)	(11.1)	(11.4)
Tax settlements	(0.1)	(0.7)	(0.6)
Sale of a business	(0.1)	(0.2)	(0.4)
U.S. research & development credit	(0.6)	(1.3)	(0.8)
	22.8 %	26.9 %	27.1 %

<sup>1</sup> Principally reflects the impact of foreign exchange losses on net monetary assets for which no corresponding tax benefit is realized. Further information about the company's foreign currency hedging program is included in Note 5 and Note 19 under the heading Foreign Currency Risk.

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

Consolidated income from continuing operations before income taxes for U.S. and international operations was as follows:

	2016	2015	2014
U.S. (including exports)	\$ 1,457	\$ 1,397	\$ 2,537
International	1,808	1,194	1,776
Income from continuing operations before income taxes	\$ 3,265	\$ 2,591	\$ 4,313

The increase in international pre-tax earnings from continuing operations from 2015 to 2016 is primarily driven by the gain on the sale of DuPont (Shenzhen) Manufacturing Limited in 2016 in addition to the absence of 2015 employee separation / asset related charges, net.

The decrease in pre-tax earnings from continuing operations from 2014 to 2015 is primarily driven by lower worldwide sales volume, the absence of 2014 gains on sales of businesses primarily in the U.S., higher employee separation / asset related charges, net, as well as the results of the company's hedging program.

In 2016 and 2015, the U.S. recorded a net exchange (loss) gain associated with the hedging program of \$(304) and \$434, respectively. While the taxation of the amounts reflected on the chart above does not correspond precisely to the jurisdiction of taxation (due to taxation in multiple countries, exchange gains/losses, etc.), it represents a reasonable approximation of the income before income taxes split between U.S. and international jurisdictions. See Note 19 for additional information regarding the company's hedging program.

Under the tax laws of various jurisdictions in which the company operates, deductions or credits that cannot be fully utilized for tax purposes during the current year may be carried forward or back, subject to statutory limitations, to reduce taxable income or taxes payable in future or prior years. At December 31, 2016, the tax effect of such carryforwards/back, net of valuation allowance approximated \$516. Of this amount, \$285 has no expiration date, \$3 expires after 2016 but before the end of 2021 and \$228 expires after 2021.

At December 31, 2016, unremitted earnings of subsidiaries outside the U.S. totaling \$17,380 were deemed to be indefinitely reinvested. No deferred tax liability has been recognized with regard to the remittance of such earnings. It is not practicable to estimate the income tax liability that might be incurred if such earnings were remitted to the U.S.

Each year the company files hundreds of tax returns in the various national, state and local income taxing jurisdictions in which it operates. These tax returns are subject to examination and possible challenge by the tax authorities. Positions challenged by the tax authorities may be settled or appealed by the company. As a result, there is an uncertainty in income taxes recognized in the company's financial statements in accordance with accounting for income taxes and accounting for uncertainty in income taxes. It is reasonably possible that net reductions to the company's global unrecognized tax benefits could be in the range of \$70 to \$90 within the next 12 months with the majority due to the settlement of uncertain tax positions with various tax authorities.

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

The company and/or its subsidiaries file income tax returns in the U.S. federal jurisdiction, and various states and non-U.S. jurisdictions. With few exceptions, the company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2004. A reconciliation of the beginning and ending amounts of unrecognized tax benefits is as follows:

	2016	2015	2014
Total unrecognized tax benefits as of January 1	\$ 846	\$ 986	\$ 901
Gross amounts of decreases in unrecognized tax benefits as a result of tax positions taken during the prior period	(41)	(98)	(50)
Gross amounts of increases in unrecognized tax benefits as a result of tax positions taken during the prior period	32	13	84
Gross amounts of increases in unrecognized tax benefits as a result of tax positions taken during the current period	55	69	92
Amount of decreases in the unrecognized tax benefits relating to settlements with taxing authorities	(314)	(58)	(15)
Reduction to unrecognized tax benefits as a result of a lapse of the applicable statute of limitations	(30)	(30)	(3)
Exchange loss (gain)	2	(36)	(23)
Total unrecognized tax benefits as of December 31	\$ 550	\$ 846	\$ 986
Total unrecognized tax benefits that, if recognized, would impact the effective tax rate	\$ 429	\$ 651	\$ 818
Total amount of interest and penalties recognized in the Consolidated Income Statements	\$ 20	\$ (8)	\$ 5
Total amount of interest and penalties recognized in the Consolidated Balance Sheets	\$ 98	\$ 105	\$ 117



**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

**7. EARNINGS PER SHARE OF COMMON STOCK**

Set forth below is a reconciliation of the numerator and denominator for basic and diluted earnings per share calculations for the periods indicated:

	2016	2015	2014
<b>Numerator:</b>			
Income from continuing operations after income taxes attributable to DuPont	\$ 2,509	\$ 1,889	\$ 3,135
Preferred dividends	(10)	(10)	(10)
Income from continuing operations after income taxes available to DuPont common stockholders	\$ 2,499	\$ 1,879	\$ 3,125
Income from discontinued operations after income taxes	\$ 4	\$ 64	\$ 490
Net income available to common stockholders	\$ 2,503	\$ 1,943	\$ 3,615
<b>Denominator:</b>			
Weighted-average number of common shares outstanding – Basic	872,560,000	893,992,000	914,752,000
Dilutive effect of the company's equity compensation plans	4,476,000	5,535,000	7,121,000
Weighted-average number of common shares outstanding – Diluted	877,036,000	899,527,000	921,873,000

The weighted-average number of common shares outstanding in 2016 and 2015 decreased as a result of the company's repurchase and retirement of its common stock, partially offset by the issuance of new shares from the company's equity compensation plans(see Notes 16 and 18, respectively).

The following average number of stock options are antidilutive and therefore, are not included in the diluted earnings per share calculation:

	2016	2015	2014
Average number of stock options	4,794,000	4,715,000	3,000

The change in the average number of stock options that were antidilutive in 2016 and 2015 was due to changes in the company's average stock price.

**8. ACCOUNTS AND NOTES RECEIVABLE, NET**

December 31,	2016	2015
Accounts receivable – trade <sup>1</sup>	\$ 3,610	\$ 3,435
Notes receivable – trade <sup>1,2</sup>	206	301
Other <sup>3</sup>	1,155	907
	\$ 4,971	\$ 4,643

<sup>1.</sup> Accounts and notes receivable – trade are net of allowances of \$287 at 2016 and \$225 at 2015 . Allowances are equal to the estimated uncollectible amounts. That estimate is based on historical collection experience, current economic and market conditions, and review of the current status of customers' accounts.

<sup>2.</sup> Notes receivable – trade primarily consists of receivables within the Agriculture segment for deferred payment loan programs for the sale of seed products to customers. These loans have terms of one year or less and are primarily concentrated in North America. The company maintains a rigid pre-approval process for extending credit to customers in order to manage overall risk and exposure associated with credit losses. As of December 31, 2016 and 2015 , there were no significant past due notes receivable, nor were there any significant impairments related to current loan agreements.

<sup>3.</sup> Other includes receivables in relation to fair value of derivative instruments, indemnification assets, value added tax, general sales tax and other taxes.

Accounts and notes receivable are carried at amounts that approximate fair value.

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

**9. INVENTORIES**

December 31,	2016	2015
Finished products	\$ 3,113	\$ 3,779
Semi-finished products	2,009	1,780
Raw materials, stores and supplies	719	783
	5,841	6,342
Adjustment of inventories to a LIFO basis	(168)	(202)
	\$ 5,673	\$ 6,140

**10. PROPERTY, PLANT AND EQUIPMENT**

December 31,	2016	2015
Buildings	\$ 4,495	\$ 4,468
Equipment	17,534	17,410
Land	514	506
Construction <sup>1</sup>	1,424	1,746
	\$ 23,967	\$ 24,130

<sup>1</sup> The decrease in construction is the result of an impairment charge of \$435 related to the company's uncompleted ERP system. See Note 4 for additional information.

**11. GOODWILL AND OTHER INTANGIBLE ASSETS**

**Goodwill**

The following table summarizes changes in the carrying amount of goodwill for the years ended December 31, 2016 and 2015 , by reportable segment:

	Balance as of December 31, 2016	Goodwill Adjustments and Acquisitions	Balance as of December 31, 2015	Goodwill Adjustments and Acquisitions	Balance as of December 31, 2014
Agriculture	\$ 343	\$ 7	\$ 336	\$ 18	\$ 318
Electronics & Communications	149	—	149	—	149
Industrial Biosciences	1,175	(34)	1,209	(9)	1,218
Nutrition & Health	2,053	(39)	2,092	(101)	2,193
Performance Materials	381	(2)	383	8	375
Protection Solutions	34	—	34	—	34
Other	45	—	45	—	45
Total	\$ 4,180	\$ (68)	\$ 4,248	\$ (84)	\$ 4,332

Changes in goodwill in 2016 and 2015 primarily relate to currency translation adjustments . In 2016 and 2015 , the company performed impairment tests for goodwill and determined that no goodwill impairments existed.

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

**Other Intangible Assets**

The following table summarizes the gross carrying amounts and accumulated amortization of other intangible assets by major class:

	December 31, 2016			December 31, 2015		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
<b>Intangible assets subject to amortization (Definite-lived)</b>						
Customer lists	\$ 1,574	\$ (586)	\$ 988	\$ 1,621	\$ (529)	\$ 1,092
Patents	446	(259)	187	454	(220)	234
Purchased and licensed technology	964	(579)	385	1,173	(649)	524
Trademarks/tradenames <sup>1</sup>	53	(15)	38	26	(13)	13
Other <sup>2</sup>	171	(82)	89	180	(72)	108
	3,208	(1,521)	1,687	3,454	(1,483)	1,971
<b>Intangible assets not subject to amortization (Indefinite-lived)</b>						
In-process research and development	73	—	73	72	—	72
Microbial cell factories <sup>3</sup>	306	—	306	306	—	306
Pioneer germplasm <sup>4</sup>	1,053	—	1,053	1,048	—	1,048
Trademarks/tradenames <sup>1</sup>	545	—	545	747	—	747
	1,977	—	1,977	2,173	—	2,173
<b>Total</b>	<b>\$ 5,185</b>	<b>\$ (1,521)</b>	<b>\$ 3,664</b>	<b>\$ 5,627</b>	<b>\$ (1,483)</b>	<b>\$ 4,144</b>

<sup>1.</sup> The decrease in indefinite-lived intangible trademarks / trade names is the result of a \$158 impairment charge recorded during the year ended December 31, 2016 associated with certain acquired trade names. The remaining net book value of the trade names are reflected in definite-lived trademarks / trade names at December 31, 2016. See Note 4 for additional information.

<sup>2.</sup> Primarily consists of sales and grower networks, marketing and manufacturing alliances and noncompetition agreements.

<sup>3.</sup> Microbial cell factories, derived from natural microbes, are used to sustainably produce enzymes, peptides and chemicals using natural metabolic processes. The company recognized the microbial cell factories as an intangible asset upon the acquisition of Danisco. This intangible asset is expected to contribute to cash flows beyond the foreseeable future and there are no legal, regulatory, contractual, or other factors which limit its useful life.

<sup>4.</sup> Pioneer germplasm is the pool of genetic source material and body of knowledge gained from the development and delivery stage of plant breeding. The company recognized germplasm as an intangible asset upon the acquisition of Pioneer. This intangible asset is expected to contribute to cash flows beyond the foreseeable future and there are no legal, regulatory, contractual, or other factors which limit its useful life.

The aggregate pre-tax amortization expense from continuing operations for definite-lived intangible assets was \$319, \$360 and \$360 for 2016, 2015 and 2014, respectively. The estimated aggregate pre-tax amortization expense from continuing operations for 2017, 2018, 2019, 2020 and 2021 is \$208, \$211, \$213, \$187 and \$138, respectively.

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

**12. OTHER ACCRUED LIABILITIES**

December 31,	2016	2015
Deferred revenue	\$ 2,223	\$ 2,519
Compensation and other employee-related costs	813	699
Employee benefits (Note 17)	353	364
Discounts and rebates	299	284
Derivative instruments (Note 19)	173	91
Accrual for restructuring programs (Note 4)	131	758
Miscellaneous	670	865
	\$ 4,662	\$ 5,580

Deferred revenue principally includes advance customer payments within the Agriculture segment. Miscellaneous other accrued liabilities principally includes accruals for plant and operating expenses, interest costs, environmental remediation costs, commissions costs, and royalties.

**13. SHORT-TERM AND LONG-TERM BORROWINGS**

The following table summarizes the company's short-term borrowings and capital lease obligations:

December 31,	2016	2015
Commercial paper	\$ 386	\$ —
Other loans - various currencies	39	49
Long-term debt payable within one year	4	1,115
Capital lease obligations	—	1
	\$ 429	\$ 1,165

The estimated fair value of the company's short-term borrowings, including interest rate financial instruments, was determined using Level 2 inputs within the fair value hierarchy, as described in Note 1. Based on quoted market prices for the same or similar issues, or on current rates offered to the company for debt of the same remaining maturities, the fair value of the company's short-term borrowings was \$430 and \$1,190 at December 31, 2016 and 2015 , respectively.

Unused bank credit lines were approximately \$7,900 and \$4,900 at December 31, 2016 and 2015 , respectively. These lines are available to support short-term liquidity needs and general corporate purposes including letters of credit and have a remaining life of up to two years. Outstanding letters of credit were \$188 and \$203 at December 31, 2016 and 2015 , respectively. These letters of credit support commitments made in the ordinary course of business.

The weighted-average interest rate on short-term borrowings outstanding at December 31, 2016 and 2015 was 2.2 percent and 4.1 percent , respectively. The decrease in the interest rate for 2016 was primarily due to lower long-term debt maturities within one year.

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

The following table summarizes the company's long-term borrowings and capital lease obligations:

December 31,	2016	2015
U.S. dollar:		
Medium-term notes due 2038 – 2041 <sup>1</sup>	\$ 111	\$ 111
1.95% notes due 2016 <sup>2</sup>	—	348
2.75% notes due 2016 <sup>2</sup>	—	223
5.25% notes due 2016 <sup>2</sup>	—	541
6.00% notes due 2018 <sup>3</sup>	1,290	1,314
5.75% notes due 2019	500	499
4.625% notes due 2020	999	998
3.625% notes due 2021	999	999
4.25% notes due 2021	499	499
2.80% notes due 2023	1,250	1,250
6.50% debentures due 2028	299	299
5.60% notes due 2036	396	396
4.90% notes due 2041	494	494
4.15% notes due 2043	749	749
Term loan due 2019	500	—
Other loans <sup>2,4</sup>	22	25
Other loans- various currencies <sup>2</sup>	29	32
	8,137	8,777
Less short-term portion of long-term debt	4	1,115
	8,133	7,662
Less debt issuance costs	35	32
	8,098	7,630
Capital lease obligations	9	12
Total	\$ 8,107	\$ 7,642

<sup>1.</sup> Average interest rates on medium-term notes were 0.6 percent and 0.1 percent at December 31, 2016 and 2015 , respectively.

<sup>2.</sup> Includes long-term debt due within one year.

<sup>3.</sup> During 2008, the interest rate swap agreement associated with these notes was terminated. The gain will be amortized over the remaining life of the bond, resulting in an effective yield of 3.85 percent .

<sup>4.</sup> Average interest rates on other loans were 4.3 percent at December 31, 2016 and 2015 .

In connection with the spin-off of Chemours, as discussed in Note 3, the company received a dividend from Chemours in May 2015 of \$3,923 comprised of a cash distribution of \$3,416 and a distribution in-kind of \$507 of 7 percent senior unsecured notes due 2025 (Chemours Notes Received).

In 2015, DuPont exchanged the Chemours Notes Received for \$488 of company debt due in 2016 as follows: \$152 of 1.95 percent notes, \$277 of 2.75 percent notes, and \$59 of 5.25 percent notes. The company paid a premium of \$20 , recorded in interest expense in the company's Consolidated Income Statements in 2015, in connection with the early retirement of the \$488 of 2016 notes. This debt for debt exchange was considered an extinguishment.

Maturities of long-term borrowings are \$1,323 , \$1,004 , \$1,003 and \$1,503 for the years 2018 , 2019 , 2020 and 2021 , respectively, and \$3,300 thereafter.

The estimated fair value of the company's long-term borrowings, was determined using Level 2 inputs within the fair value hierarchy, as described in Note 1. Based on quoted market prices for the same or similar issues, or on current rates offered to the company for debt of the same remaining maturities, the fair value of the company's long-term borrowings was \$8,460 and \$7,860 at December 31, 2016 and 2015 , respectively.

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

*Term Loan Facility*

In March 2016, the company entered into a credit agreement that provides for a three -year, senior unsecured term loan facility in the aggregate principal amount of \$ 4,500 (the Term Loan Facility). DuPont may make up to seven term loan borrowings within one year of the closing date and amounts repaid or prepaid are not available for subsequent borrowings. The Term Loan Facility matures in March 2019 at which time all outstanding borrowings, including accrued but unpaid interest, become immediately due and payable.

Under the Term Loan Facility, DuPont can borrow funds at LIBOR plus a spread from 0.75 percent to 1.25 percent (LIBOR Loan Rate) depending on DuPont's long term credit rating. As of December 31, 2016, the company had borrowed \$ 500 at the LIBOR Loan Rate and had unused commitments of \$ 4,000 under the Term Loan Facility.

DuPont has the option of obtaining a same day loan under the Term Loan Facility at an interest rate based on the higher of a) the LIBOR Loan Rate, b) the federal funds effective rate plus 0.5 percent plus a margin from 0.00 percent to 0.25 percent depending on DuPont's long term credit rating (Margin) or c) the prime rate plus Margin.

**14. OTHER LIABILITIES**

December 31,	2016	2015
Employee benefits:		
Accrued pension benefit costs (Note 17)	\$ 8,100	\$ 8,478
Accrued other post employment benefit costs (Note 17)	2,554	2,524
Accrued environmental remediation costs	337	367
Miscellaneous	1,342	1,222
	\$ 12,333	\$ 12,591

Miscellaneous includes litigation accruals, tax contingencies, accrued royalties, non-current portion of employee separation accruals and certain obligations related to divested businesses.

**15. COMMITMENTS AND CONTINGENT LIABILITIES**

**Guarantees**

*Indemnifications*

In connection with acquisitions and divestitures, the company has indemnified respective parties against certain liabilities that may arise in connection with these transactions and business activities prior to the completion of the transaction. The term of these indemnifications, which typically pertain to environmental, tax and product liabilities, is generally indefinite. In addition, the company indemnifies its duly elected or appointed directors and officers to the fullest extent permitted by Delaware law, against liabilities incurred as a result of their activities for the company, such as adverse judgments relating to litigation matters. If the indemnified party were to incur a liability or have a liability increase as a result of a successful claim, pursuant to the terms of the indemnification, the company would be required to reimburse the indemnified party. The maximum amount of potential future payments is generally unlimited.

*Obligations for Equity Affiliates & Others*

The company has directly guaranteed various debt obligations under agreements with third parties related to equity affiliates, customers and suppliers. At December 31, 2016, the company had directly guaranteed \$354 of such obligations. This amount represents the maximum potential amount of future (undiscounted) payments that the company could be required to make under the guarantees. The company would be required to perform on these guarantees in the event of default by the guaranteed party.

The company assesses the payment/performance risk by assigning default rates based on the duration of the guarantees. These default rates are assigned based on the external credit rating of the counterparty or through internal credit analysis and historical default history for counterparties that do not have published credit ratings. For counterparties without an external rating or available credit history, a cumulative average default rate is used.

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

In certain cases, the company has recourse to assets held as collateral, as well as personal guarantees from customers and suppliers. Assuming liquidation, these assets are estimated to cover approximately 23 percent of the \$167 of guaranteed obligations of customers and suppliers. Set forth below are the company's guaranteed obligations at December 31, 2016 :

	Short-Term	Long-Term	Total
<b>Obligations for customers and suppliers <sup>1</sup> :</b>			
Bank borrowings (terms up to 5 years)	\$ 149	\$ 18	\$ 167
<b>Obligations for equity affiliates <sup>2</sup> :</b>			
Bank borrowings (terms up to 1 year)	161	—	161
<b>Obligations for Chemours <sup>3</sup> :</b>			
Chemours' purchase obligations (final expiration - 2018)	15	11	26
<b>Total</b>	<b>\$ 325</b>	<b>\$ 29</b>	<b>\$ 354</b>

<sup>1.</sup> Existing guarantees for customers and suppliers, as part of contractual agreements.

<sup>2.</sup> Existing guarantees for equity affiliates' liquidity needs in normal operations.

<sup>3.</sup> Guarantee for Chemours' raw material purchase obligations under agreement with third party supplier.

### Operating Leases

The company uses various leased facilities and equipment in its operations. The terms for these leased assets vary depending on the lease agreement.

Future minimum lease payments (including residual value guarantee amounts) under non-cancelable operating leases are \$263 , \$233 , \$207 , \$158 and \$123 for the years 2017 , 2018 , 2019 , 2020 and 2021 , respectively, and \$219 for subsequent years and are not reduced by non-cancelable minimum sublease rentals due in the future in the amount of \$2 . Net rental expense under operating leases was \$245 , \$271 and \$249 in 2016 , 2015 and 2014 , respectively.

### Litigation

The company is subject to various legal proceedings arising out of the normal course of its business including product liability, intellectual property, commercial, environmental and antitrust lawsuits. It is not possible to predict the outcome of these various proceedings. Although considerable uncertainty exists, management does not anticipate that the ultimate disposition of these matters will have a material adverse effect on the company's results of operations, consolidated financial position or liquidity. However, the ultimate liabilities could be material to results of operations in the period recognized.

### PFOA

DuPont used PFOA (collectively, perfluorooctanoic acids and its salts, including the ammonium salt), as a processing aid to manufacture some fluoropolymer resins at various sites around the world including its Washington Works plant in West Virginia. At December 31, 2016 , DuPont has an accrual balance of \$117 related to the PFOA matters discussed below. Pursuant to the Separation Agreement discussed in Note 3, the company is indemnified by Chemours for the PFOA matters discussed below. As a result, the company has recorded an indemnification asset of \$117 corresponding to the accrual balance as of December 31, 2016 .

Since 2006, DuPont has undertaken obligations under agreements with the U.S. Environmental Protection Agency (EPA), including a 2009 consent decree under the Safe Drinking Water Act (the order), and voluntary commitments to the New Jersey Department of Environmental Protection (NJDEP). These obligations and voluntary commitments include surveying, sampling and testing drinking water in and around certain company sites and offering treatment or an alternative supply of drinking water if tests indicate the presence of PFOA in drinking water at or greater than the national health advisory level, even if provisional, as established from time to time by EPA. A provisional health advisory level was set in 2009 at 0.4 parts per billion (ppb) for PFOA in drinking water considering episodic exposure. In May 2016, EPA announced a health advisory level of 0.07 ppb for PFOA in drinking water considering lifetime versus episodic exposure. In January 2017, EPA announced it had amended the order to include Chemours, and to make the new health advisory level the trigger for additional actions by the companies, thus expanding the obligations to the EPA beyond the previously established testing and water supply commitments around the Washington Works facility. The company's accrual balance of \$17 at December 31, 2016 related to these obligations and voluntary commitments reflects the impacts of the new health advisory level and expanded obligations under the amended order.

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

**Drinking Water Actions**

In August 2001, a class action, captioned Leach v DuPont, was filed in West Virginia state court alleging that residents living near the Washington Works facility had suffered, or may suffer, deleterious health effects from exposure to PFOA in drinking water.

DuPont and attorneys for the class reached a settlement in 2004 that binds about 80,000 residents. In 2005, DuPont paid the plaintiffs' attorneys' fees and expenses of \$23 and made a payment of \$70, which class counsel designated to fund a community health project. The company funded a series of health studies which were completed in October 2012 by an independent science panel of experts (the C8 Science Panel). The studies were conducted in communities exposed to PFOA to evaluate available scientific evidence on whether any probable link exists, as defined in the settlement agreement, between exposure to PFOA and human disease.

The C8 Science Panel found probable links, as defined in the settlement agreement, between exposure to PFOA and pregnancy-induced hypertension, including preeclampsia; kidney cancer; testicular cancer; thyroid disease; ulcerative colitis; and diagnosed high cholesterol.

In May 2013, a panel of three independent medical doctors released its initial recommendations for screening and diagnostic testing of eligible class members. In September 2014, the medical panel recommended follow-up screening and diagnostic testing three years after initial testing, based on individual results. The medical panel has not communicated its anticipated schedule for completion of its protocol. The company is obligated to fund up to \$235 for a medical monitoring program for eligible class members and, in addition, administrative costs associated with the program, including class counsel fees. In January 2012, the company established and put \$1 into an escrow account to fund medical monitoring as required by the settlement agreement. Under the settlement agreement, the balance in the escrow amount must be at least \$0.5; as a result, transfers of additional funds may be required periodically. The court appointed Director of Medical Monitoring has established the program to implement the medical panel's recommendations and the registration process, as well as eligibility screening, is ongoing. Diagnostic screening and testing has begun and associated payments to service providers are being disbursed from the escrow account; at December 31, 2016, less than \$1 has been disbursed. While it is probable that the company will incur liabilities related to funding the medical monitoring program, such liabilities cannot be reasonably estimated due to uncertainties surrounding the level of participation by eligible class members and the scope of testing.

In addition, under the settlement agreement, the company must continue to provide water treatment designed to reduce the level of PFOA in water to six area water districts, including the Little Hocking Water Association (LHWA), and private well users.

**Multi-District Litigation**

Leach class members may pursue personal injury claims against DuPont only for the six human diseases for which the C8 Science Panel determined a probable link exists. At December 31, 2016 there were about 3,550 lawsuits, of which about 30 allege wrongful death, pending in various federal and state courts in Ohio and West Virginia. These lawsuits are consolidated in multi-district litigation (MDL) in the U.S. District Court for the Southern District of Ohio (the Court). The approximate number of lawsuits pending in the MDL remained constant year-over-year. However, the company has refined the number pending at December 31, 2016, in connection with updates to the table below. DuPont, through Chemours, denies the allegations in these lawsuits and is defending itself vigorously.

The table below approximates the number of lawsuits based on primary alleged disease.

<b>Alleged Injury</b>	<b>Number of Claims</b>
Kidney cancer	210
Testicular cancer	70
Ulcerative colitis	300
Preeclampsia	200
Thyroid disease	1,430
High cholesterol	1,340



**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

In 2014, six cases from the MDL were selected for individual trial. In 2016, three of these cases, two kidney cancer and one ulcerative colitis, were settled for amounts immaterial individually and in the aggregate, and one case was voluntarily withdrawn by plaintiffs. The other two matters, (Bartlett v DuPont, kidney cancer, and Freeman v DuPont, testicular cancer) were tried to jury verdicts in 2015 and 2016, respectively. The Bartlett jury awarded compensatory damages of \$1.6 and no punitive damages. The company has appealed the Bartlett verdict to the U.S. Court of Appeals for the Sixth Circuit (the Sixth Circuit) which is expected to issue a ruling in the first half of 2017. In 2016, the Freeman jury awarded compensatory damages of \$5.1 and \$0.5 in punitive damages and attorneys' fees. Pending a post-trial motion, the company will appeal to the Sixth Circuit.

In January 2016, the Court determined that 40 cases asserting cancer claims, to be identified by plaintiffs' attorneys, would be scheduled for trial through year-end 2017. In the first two matters selected for trial, (Vigneron v DuPont and Moody v DuPont) plaintiffs make testicular cancer claims. After a fourth quarter 2016 trial, the Vigneron jury awarded compensatory damages of \$2 and punitive damages of \$10.5. Pending post-trial motions, the company will appeal to the Sixth Circuit. The Moody trial began in January 2017 and the jury is expected to render a verdict in the first quarter 2017. The remaining 38 trials are scheduled to begin each week starting in May 2017.

In 2016, the Court ordered the parties to participate in confidential, nonbinding mediation regarding global resolution of the MDL. This process continues.

At December 31, 2016, the company has established an accrual of \$100 related to the MDL, representing the company's estimate of the low end of the range of potential loss. While DuPont could incur liabilities in excess of the amount accrued, the upper end of the range of such loss cannot be reasonably estimated. The range of possible loss is unpredictable and involves significant uncertainty due to the uniqueness of individual plaintiff's claims and the company's defenses as to potential liability and damages on an individual claims basis, and the timing and outcome of the appellate process, among other factors. This type of litigation could take place over many years and interim results do not predict the final outcomes of cases.

#### Additional Actions

In the first quarter 2016, a confidential settlement was reached in the Ohio action brought by the LHWA claiming, "imminent and substantial endangerment to health and or the environment" under the Resource Conservation and Recovery Act (RCRA) in addition to general claims of PFOA contamination of drinking water. The cost of the settlement was paid by Chemours.

Under the Separation Agreement, all liabilities associated with the PFOA matters discussed above, including liabilities related to judgments, including punitive damages, or settlements associated with the MDL, are subject to indemnification by Chemours.

#### **Environmental**

The company is also subject to contingencies pursuant to environmental laws and regulations that in the future may require the company to take further action to correct the effects on the environment of prior disposal practices or releases of chemical or petroleum substances by the company or other parties. The company accrues for environmental remediation activities consistent with the policy set forth in Note 1. Much of this liability results from the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA, often referred to as Superfund), RCRA and similar state and global laws. These laws require the company to undertake certain investigative, remediation and restoration activities at sites where the company conducts or once conducted operations or at sites where company-generated waste was disposed. The accrual also includes estimated costs related to a number of sites identified by the company for which it is probable that environmental remediation will be required, but which are not currently the subject of enforcement activities.

Remediation activities vary substantially in duration and cost from site to site. These activities, and their associated costs, depend on the mix of unique site characteristics, evolving remediation technologies, diverse regulatory agencies and enforcement policies, as well as the presence or absence of potentially responsible parties. At December 31, 2016, the Consolidated Balance Sheet included a liability of \$457, relating to these matters and, in management's opinion, is appropriate based on existing facts and circumstances. The average time frame, over which the accrued or presently unrecognized amounts may be paid, based on past history, is estimated to be 15 - 20 years. Considerable uncertainty exists with respect to these costs and, under adverse changes in circumstances, the potential liability may range up to \$900 above the amount accrued as of December 31, 2016. Pursuant to the Separation Agreement discussed in Note 3, the company is indemnified by Chemours for certain environmental matters, included in the liability of \$457, that have an estimated liability of \$250 as of December 31, 2016 and a potential exposure that ranges up to approximately \$500 above the amount accrued. As such, the company has recorded an indemnification asset of \$250 corresponding to the company's accrual balance related to these matters at December 31, 2016.

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

**16. STOCKHOLDERS' EQUITY**

**Share Repurchase Program**

*2015 Share Buyback Plan*

In the first quarter 2015, DuPont announced its intention to buy back shares of about \$4,000 using the distribution proceeds received from Chemours. In connection with the completion of the spin-off of Chemours, the Board of Directors authorized the use of the distribution proceeds to buy back shares of the company's common stock as follows: \$2,000 to be purchased and retired by December 31, 2015, which was completed during 2015, with the remainder to be purchased and retired by December 31, 2016. There were no share repurchases under this plan in the first and second quarters of 2016. The company had limited opportunity to repurchase shares in 2016, primarily due to the planned merger with Dow. However, during the second half of 2016, the company purchased and retired 13.2 million shares in the open market for a total cost of \$916. As of December 31, 2016, in aggregate, the company has paid \$2,916 and received and retired 48.2 million shares. As of January 1, 2017, the authorization under this buyback program has expired.

*2014 Share Buyback Plan*

In January 2014, the company's Board of Directors authorized a \$5,000 share buyback plan that replaced the 2011 plan. During 2014, the company purchased and retired 30.1 million shares for \$2,000 under two separate accelerated share repurchase (ASR) agreements as well as open market purchases. During 2015, the company repurchased and retired 4.6 million shares in the open market for a total cost of \$353. There were no share repurchases under this plan during 2016. As of December 31, 2016, in aggregate, the company has purchased 34.7 million shares at a total cost of \$2,353 under the plan. As a result, \$2,647 buyback authority remains under this program. There is no required completion date for the remaining stock purchases under the 2014 plan.

Common stock held in treasury is recorded at cost. When retired, the excess of the cost of treasury stock over its par value is allocated between reinvested earnings and additional paid-in capital.

Set forth below is a reconciliation of common stock share activity for the years ended December 31, 2016, 2015 and 2014:

Shares of common stock	Issued	Held In Treasury
Balance January 1, 2014	1,014,027,000	(87,041,000)
Issued	8,103,000	—
Repurchased	—	(30,110,000)
Retired	(30,110,000)	30,110,000
Balance December 31, 2014	992,020,000	(87,041,000)
Issued	5,932,000	—
Repurchased	—	(39,564,000)
Retired	(39,564,000)	39,564,000
Balance December 31, 2015	958,388,000	(87,041,000)
Issued	4,808,000	—
Repurchased	—	(13,152,000)
Retired	(13,152,000)	13,152,000
Balance December 31, 2016	950,044,000	(87,041,000)

**Noncontrolling Interest**

In September 2015, the company obtained a controlling interest in a joint venture included in the Performance Materials segment. Accordingly, the company consolidated the entity at December 31, 2015 and recorded the fair value of the noncontrolling interest in the amount of \$151 in the Consolidated Balance Sheet.

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

**Other Comprehensive Loss**

The changes and after-tax balances of components comprising accumulated other comprehensive loss are summarized below:

	Cumulative Translation Adjustment <sup>1</sup>	Net Gains (Losses) on Cash Flow Hedging Derivative Instruments	Pension Benefit Plans	Other Benefit Plans	Unrealized Gain (Loss) on Securities	Total
<b>2014</b>						
Balance January 1, 2014	\$ (43)	\$ (48)	\$ (5,695)	\$ 494	\$ 2	\$ (5,290)
Other comprehensive (loss) income before reclassifications	(876)	33	(2,601)	(131)	—	(3,575)
Amounts reclassified from accumulated other comprehensive loss	—	9	401	(101)	—	309
Net other comprehensive (loss) income	\$ (876)	\$ 42	\$ (2,200)	\$ (232)	\$ —	\$ (3,266)
Balance December 31, 2014	\$ (919)	\$ (6)	\$ (7,895)	\$ 262	\$ 2	\$ (8,556)
<b>2015</b>						
Other comprehensive (loss) income before reclassifications	(1,605)	(25)	39	3	(17)	(1,605)
Amounts reclassified from accumulated other comprehensive loss	—	7	535	(243)	(2)	297
Net other comprehensive (loss) income	\$ (1,605)	\$ (18)	\$ 574	\$ (240)	\$ (19)	\$ (1,308)
Spin-off of Chemours	191	—	278	—	(1)	468
Balance December 31, 2015	\$ (2,333)	\$ (24)	\$ (7,043)	\$ 22	\$ (18)	\$ (9,396)
<b>2016</b>						
Other comprehensive (loss) income before reclassifications	(510)	20	(271)	(81)	(8)	(850)
Amounts reclassified from accumulated other comprehensive loss	—	11	594	(298)	28	335
Net other comprehensive (loss) income	\$ (510)	\$ 31	\$ 323	\$ (379)	\$ 20	\$ (515)
Balance December 31, 2016	\$ (2,843)	\$ 7	\$ (6,720)	\$ (357)	\$ 2	\$ (9,911)

<sup>1</sup> The currency translation loss for the year ended December 31, 2016 is primarily driven by the strengthening of the U.S. dollar (USD) against the European Euro (EUR) partially offset by the weakening of the USD against the Brazilian real (BRL). The currency translation loss for the years ended December 31, 2015 and 2014 is driven by the strengthening USD against primarily the EUR and BRL. For the year ended December 31, 2015, the increase over prior year is also due to changes in certain foreign entity's functional currency as described in Note 1.

The tax benefit (expense) on the net activity related to each component of other comprehensive loss were as follows:

For the year ended December 31,	2016	2015	2014
Net gains (losses) on cash flow hedging derivative instruments	\$ (19)	\$ 7	\$ (26)
Pension benefit plans, net	(163)	(317)	1,274
Other benefit plans, net	194	135	155
Benefit from (provision for) income taxes related to other comprehensive (loss) income items	\$ 12	\$ (175)	\$ 1,403

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

A summary of the reclassifications out of accumulated other comprehensive loss is provided as follows:

	2016	2015	2014	Consolidated Statements of Income Classification
<b>Net gains (losses) on cash flow hedging derivative instruments, before tax:</b>	\$ 18	\$ 12	\$ 15	See (1) below
Tax benefit	(7)	(5)	(6)	See (2) below
After-tax	\$ 11	\$ 7	\$ 9	
<b>Amortization of pension benefit plans:</b>				
Prior service (benefit) cost	(6)	(9)	2	See (3) below
Actuarial losses	822	768	601	See (3) below
Curtailment loss (gain)	40	(6)	4	See (3) below
Settlement loss	62	76	7	See (3) below
Total before tax	\$ 918	\$ 829	\$ 614	
Tax benefit	(324)	(294)	(213)	See (2) below
After-tax	\$ 594	\$ 535	\$ 401	
<b>Amortization of other benefit plans:</b>				
Prior service benefit	(134)	(182)	(214)	See (3) below
Actuarial losses	78	78	57	See (3) below
Curtailment gain	(392)	(274)	—	See (3) below
Total before tax	\$ (448)	\$ (378)	\$ (157)	
Tax expense	150	135	56	See (2) below
After-tax	\$ (298)	\$ (243)	\$ (101)	
<b>Net realized gains (losses) on investments, before tax:</b>	28	(2)	—	See (4) below
Tax expense	—	—	—	See (2) below
After-tax	\$ 28	\$ (2)	\$ —	
<b>Total reclassifications for the period, after-tax</b>	<b>\$ 335</b>	<b>\$ 297</b>	<b>\$ 309</b>	

<sup>1.</sup> Net sales and cost of goods sold

<sup>2.</sup> Provision for income taxes from continuing operations

<sup>3.</sup> These accumulated other comprehensive loss components are included in the computation of net periodic benefit cost of the company's pension and other benefit plans. See Note 17 for additional information.

<sup>4.</sup> Other income, net

The tax benefit (expense) recorded in Stockholders' Equity was \$33 , \$(138) and \$1,461 for the years 2016 , 2015 and 2014 , respectively. Included in these amounts were tax benefits of \$21 , \$37 and \$58 for the years 2016 , 2015 and 2014 , respectively, associated with stock compensation programs. The remainder consists of amounts recorded within other comprehensive loss as shown in the table above.

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

**17. LONG-TERM EMPLOYEE BENEFITS**

The company offers various long-term benefits to its employees. Where permitted by applicable law, the company reserves the right to change, modify or discontinue the plans.

**Defined Benefit Pensions**

The company has both funded and unfunded noncontributory defined benefit pension plans covering a majority of the U.S. employees. The benefits under these plans are based primarily on years of service and employees' pay near retirement. In November 2016, the company announced changes to the U.S. pension plans. The company will freeze the pay and service amounts used to calculate pension benefits for active employees who participate in the U.S. pension plans at the earlier of the effective date of the first of the Intended Business Separations or November 30, 2018 (the Effective Date). See Note 2 for further discussion of the Intended Business Separations. Therefore, as of the Effective Date, active employees in the U.S. will not accrue additional benefits for future service and eligible compensation received. These changes resulted in a \$527 decline in the projected benefit obligation, which is reflected in actuarial loss (gain) in the below table, and recognition of a \$25 pre-tax curtailment gain during the fourth quarter of 2016. The decline in the projected benefit obligation is primarily due to the decrease in expected future compensation. Most employees hired on or after January 1, 2007 are not eligible to participate in the U.S. defined benefit pension plans.

The company's funding policy is consistent with the funding requirements of federal laws and regulations. Pension coverage for employees of the company's non-U.S. consolidated subsidiaries is provided, to the extent deemed appropriate, through separate plans. Obligations under such plans are funded by depositing funds with trustees, covered by insurance contracts, or remain unfunded.

The workforce reductions in 2016 related to the 2016 global cost savings and restructuring plan triggered curtailments for certain of the company's pension plans, including the principal U.S. pension plan. For the principal U.S. pension plan, the company recorded curtailment losses of \$ 63 during 2016 driven by the changes in the benefit obligation based on the demographics of the terminated positions partially offset by accelerated recognition of a portion of the prior service benefit.

In the fourth quarter 2016, about \$550 of lump-sum payments were made from the principal U.S. pension plan trust fund to a group of separated, vested plan participants who were extended a limited-time opportunity and voluntarily elected to receive their pension benefits in a single lump-sum payment. Since the company recognizes pension settlements only when the lump-sum payments exceed the sum of the plan's service and interest cost components of net periodic pension cost for the year, these lump-sum payments did not result in the recognition of a pension settlement charge.

**Other Post Employment Benefits**

The parent company and certain subsidiaries provide medical, dental and life insurance benefits to pensioners and survivors. The associated plans for retiree benefits are unfunded and the cost of the approved claims is paid from company funds. Essentially all of the cost and liabilities for these retiree benefit plans are attributable to the U.S. benefit plans. The non-Medicare eligible retiree medical plan is contributory with pensioners and survivors' contributions adjusted annually to achieve a 50/50 target sharing of cost increases between the company and pensioners and survivors. In addition, limits are applied to the company's portion of the retiree medical cost coverage. For Medicare eligible pensioners and survivors, the company provides a company-funded Health Reimbursement Arrangement (HRA). In November 2016, the company announced that eligible employees who will be under the age of 50 at the Effective Date, as defined above, will not receive post-retirement medical, dental and life insurance benefits. As a result of these changes, the company recognized a pre-tax curtailment gain of \$357 during the fourth quarter of 2016. Beginning January 1, 2015, eligible employees who retire on and after that date will receive the same life insurance benefit payment, regardless of age. The majority of U.S. employees hired on or after January 1, 2007 are not eligible to participate in the post-retirement medical, dental and life insurance plans.

As a result of the workforce reductions noted above, curtailments were triggered for the company's other post employment benefit plans. The company recorded curtailment gains of \$35 during the year ended December 31, 2016. The curtailment gains were driven by accelerated recognition of a portion of the prior service benefit partially offset by the change in the benefit obligation based on the demographics of the terminated positions.

The company also provides disability benefits to employees. Employee disability benefit plans are insured in many countries. However, primarily in the U.S., such plans are generally self-insured. Obligations and expenses for self-insured plans are reflected in the figures below.

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

Summarized information on the company's pension and other post employment benefit plans is as follows:

	Pension Benefits		Other Benefits	
Obligations and Funded Status at December 31,	2016	2015	2016	2015
<b>Change in benefit obligation</b>				
Benefit obligation at beginning of year	\$ 26,094	\$ 29,669	\$ 2,758	\$ 2,889
Service cost	174	232	11	15
Interest cost	800	1,084	87	112
Plan participants' contributions	18	19	36	45
Actuarial loss (gain)	460	(1,404)	153	(4)
Benefits paid <sup>1</sup>	(2,374)	(1,761)	(254)	(282)
Amendments	—	—	(28)	—
Effect of foreign exchange rates	(348)	(456)	1	(6)
Acquisitions/divestitures/other activity	7	(52)	65	—
Spin-off of Chemours	—	(1,237)	—	(11)
Benefit obligation at end of year	\$ 24,831	\$ 26,094	\$ 2,829	\$ 2,758
<b>Change in plan assets</b>				
Fair value of plan assets at beginning of year	\$ 17,497	\$ 20,446	\$ —	\$ —
Actual gain on plan assets	1,219	88	—	—
Employer contributions	535	308	218	237
Plan participants' contributions	18	19	36	45
Benefits paid <sup>1</sup>	(2,374)	(1,761)	(254)	(282)
Effect of foreign exchange rates	(239)	(330)	—	—
Acquisitions/divestitures/other activity	—	(47)	—	—
Spin-off of Chemours	—	(1,226)	—	—
Fair value of plan assets at end of year	\$ 16,656	\$ 17,497	\$ —	\$ —
<b>Funded status</b>				
U.S. plan with plan assets	\$ (6,391)	\$ (6,662)	\$ —	\$ —
Non-U.S. plans with plan assets	(674)	(748)	—	—
All other plans <sup>2</sup>	(1,110)	(1,187)	(2,829)	(2,758)
Total	\$ (8,175)	\$ (8,597)	\$ (2,829)	\$ (2,758)
Amounts recognized in the Consolidated Balance Sheets consist of:				
Other assets	\$ 3	\$ 11	\$ —	\$ —
Other accrued liabilities (Note 12)	(78)	(130)	(275)	(234)
Other liabilities (Note 14)	(8,100)	(8,478)	(2,554)	(2,524)
Net amount recognized	\$ (8,175)	\$ (8,597)	\$ (2,829)	\$ (2,758)

<sup>1.</sup> 2016 benefits paid includes about \$550 of lump sum benefits associated with the limited-time opportunity provided to certain separated, vested participants in the principal U.S. pension plan. See further discussion above.

<sup>2.</sup> Includes pension plans maintained around the world where funding is not customary.

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

The pre-tax amounts recognized in accumulated other comprehensive loss are summarized below:

	<b>Pension Benefits</b>		<b>Other Benefits</b>	
<b>December 31,</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Net loss	\$ (10,280)	\$ (10,803)	\$ (830)	\$ (787)
Prior service benefit	17	54	281	811
	\$ (10,263)	\$ (10,749)	\$ (549)	\$ 24

The accumulated benefit obligation for all pension plans was \$24,345 and \$24,984 at December 31, 2016 and 2015 , respectively.

<b>Information for pension plans with projected benefit obligation in excess of plan assets</b>	<b>2016</b>	<b>2015</b>
Projected benefit obligation	\$ 24,779	\$ 25,769
Accumulated benefit obligation	24,297	24,715
Fair value of plan assets	16,601	17,162

<b>Information for pension plans with accumulated benefit obligations in excess of plan assets</b>	<b>2016</b>	<b>2015</b>
Projected benefit obligation	\$ 23,946	\$ 25,515
Accumulated benefit obligation	23,591	24,508
Fair value of plan assets	15,838	16,930

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

	<b>Pension Benefits</b>		
<b>Components of net periodic benefit cost (credit) and amounts recognized in other comprehensive loss</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Net periodic benefit cost</b>			
Service cost	\$ 174	\$ 232	\$ 241
Interest cost	800	1,084	1,162
Expected return on plan assets	(1,320)	(1,554)	(1,611)
Amortization of loss	822	768	601
Amortization of prior service (benefit) cost	(6)	(9)	2
Curtailment loss (gain)	40	(6)	4
Settlement loss	62	76	7
<b>Net periodic benefit cost - Total</b>	<b>\$ 572</b>	<b>\$ 591</b>	<b>\$ 406</b>
Less: Discontinued operations	(5)	(5)	40
<b>Net period benefit cost - Continuing operations</b>	<b>\$ 577</b>	<b>\$ 596</b>	<b>\$ 366</b>
<b>Changes in plan assets and benefit obligations recognized in other comprehensive loss</b>			
Net loss	\$ 570	\$ 57	\$ 4,131
Amortization of loss	(822)	(768)	(601)
Prior service benefit	—	—	(44)
Amortization of prior service benefit (cost)	6	9	(2)
Curtailment (loss) gain	(40)	6	(4)
Settlement loss	(62)	(76)	(7)
Effect of foreign exchange rates	(138)	(119)	—
Spin-off of Chemours	—	(382)	—
<b>Total (benefit) loss recognized in other comprehensive loss</b>	<b>\$ (486)</b>	<b>\$ (1,273)</b>	<b>\$ 3,473</b>
Noncontrolling interest	—	—	1
<b>Total (benefit) loss recognized in other comprehensive loss, attributable to DuPont</b>	<b>\$ (486)</b>	<b>\$ (1,273)</b>	<b>\$ 3,474</b>
<b>Total recognized in net periodic benefit cost and other comprehensive loss</b>	<b>\$ 86</b>	<b>\$ (682)</b>	<b>\$ 3,880</b>

The estimated pre-tax net loss and prior service benefit for the defined benefit pension plans that will be amortized from accumulated other comprehensive loss into net periodic benefit cost during 2017 are \$758 and \$(4) , respectively. These amounts do not include any potential settlement charges related to the company's Pension Restoration Plan which provides lump sum payments to certain eligible retirees.



**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

	Other Benefits		
Components of net periodic benefit cost (credit) and amounts recognized in other comprehensive loss	2016	2015	2014
<b>Net periodic benefit cost</b>			
Service cost	\$ 11	\$ 15	\$ 17
Interest cost	87	112	121
Amortization of loss	78	78	57
Amortization of prior service benefit	(134)	(182)	(214)
Curtailment gain	(392)	(274)	—
Net periodic benefit credit - Total	\$ (350)	\$ (251)	\$ (19)
Less: Discontinued operations	—	(272)	3
Net periodic benefit (credit) cost - Continuing operations	\$ (350)	\$ 21	\$ (22)
<b>Changes in plan assets and benefit obligations recognized in other comprehensive loss</b>			
Net loss (gain)	\$ 153	\$ (4)	\$ 280
Amortization of loss	(78)	(78)	(57)
Prior service benefit	(28)	—	(50)
Amortization of prior service benefit	134	182	214
Curtailment gain	392	274	—
Effect of foreign exchange rates	—	1	—
Total loss recognized in other comprehensive loss, attributable to DuPont	\$ 573	\$ 375	\$ 387
Total recognized in net periodic benefit cost and other comprehensive loss	\$ 223	\$ 124	\$ 368

The estimated pre-tax net loss and prior service benefit for the other post employment benefit plans that will be amortized from accumulated other comprehensive loss into net periodic benefit cost during 2017 are \$91 and \$(69) , respectively.

	Pension Benefits		Other Benefits	
Weighted-average assumptions used to determine benefit obligations at December 31,	2016	2015	2016	2015
Discount rate	3.80%	4.13%	4.03%	4.32%
Rate of compensation increase <sup>1</sup>	3.80%	3.94%	—%	—%

<sup>1</sup>. The rate of compensation increase represents the single annual effective salary increase that an average plan participant would receive during the participant's entire career at the company.

	Pension Benefits			Other Benefits		
Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31,	2016	2015	2014	2016	2015	2014
Discount rate	3.77%	3.93%	4.55%	3.87%	4.13%	4.60%
Expected return on plan assets	7.74%	8.10%	8.35%	—%	—%	—%
Rate of compensation increase	3.96%	4.01%	4.22%	—%	—%	—%

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

For determining U.S. pension plans' net periodic benefit costs, the discount rate, expected return on plan assets and the rate of compensation increase were 4.04 percent, 8.00 percent and 4.15 percent for 2016.

For determining U.S. pension plans' net periodic benefit costs, the discount rate, expected return on plan assets and the rate of compensation increase were 4.29 percent, 8.50 percent and 4.20 percent for 2015.

For determining U.S. pension plans' net periodic benefit costs, the discount rate, expected return on plan assets and the rate of compensation increase were 4.90 percent, 8.75 percent and 4.50 percent for 2014.

In the U.S., the discount rate is developed by matching the expected cash flow of the benefit plans to a yield curve constructed from a portfolio of high quality fixed-income instruments provided by the plan's actuary as of the measurement date. Effective in 2016, the company changed its method to estimate the service and interest cost components of net periodic benefit cost for the U.S. benefit plans. The company utilized a full yield curve approach in the estimation of service and interest rate components by applying specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows. For non-U.S. benefit plans, the company utilizes prevailing long-term high quality corporate bond indices to determine the discount rate applicable to each country at the measurement date.

The long-term rate of return on assets in the U.S. was selected from within the reasonable range of rates determined by historical real returns (net of inflation) for the asset classes covered by the investment policy, expected performance, and projections of inflation over the long-term period during which benefits are payable to plan participants. Consistent with prior years, the long-term rate of return on plan assets in the U.S. reflects the asset allocation of the plan and the effect of the company's active management of the plan's assets. For non-U.S. plans, assumptions reflect economic assumptions applicable to each country.

In October 2014, the Society of Actuaries released final reports of new mortality tables and a mortality improvement scale for measurement of retirement program obligations in the U.S. The Society of Actuaries published other mortality improvement scales in October 2015 and October 2016. The company adopted these tables in measuring the 2015 and 2016 long-term employee benefit obligations, respectively. The effect of these adoptions is amortized into net periodic benefit cost for the years following the adoption.

Assumed health care cost trend rates at December 31,	2016	2015
Health care cost trend rate assumed for next year	7%	7%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5%	5%
Year that the rate reaches the ultimate trend rate	2023	2023

Assumed health care cost trend rates have a modest effect on the amount reported for the health care plan. A one-percentage point change in assumed health care cost trend rates would have the following effects:

	1-Percentage Point Increase	1-Percentage Point Decrease
Increase (decrease) on total of service and interest cost	\$ —	\$ —
Increase (decrease) on post-retirement benefit obligation	11	(11)

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

**Plan Assets**

All pension plan assets in the U.S. are invested through a single master trust fund. The strategic asset allocation for this trust fund is approved by management. The general principles guiding U.S. pension asset investment policies are those embodied in the Employee Retirement Income Security Act of 1974 (ERISA). These principles include discharging the company's investment responsibilities for the exclusive benefit of plan participants and in accordance with the "prudent expert" standard and other ERISA rules and regulations. The company establishes strategic asset allocation percentage targets and appropriate benchmarks for significant asset classes with the aim of achieving a prudent balance between return and risk. Strategic asset allocations in other countries are selected in accordance with the laws and practices of those countries. Where appropriate, asset liability studies are utilized in this process. U.S. plan assets and a portion of non-U.S. plan assets are managed by investment professionals employed by the company. The remaining assets are managed by professional investment firms unrelated to the company. The company's pension investment professionals have discretion to manage the assets within established asset allocation ranges approved by management of the company. Additionally, pension trust funds are permitted to enter into certain contractual arrangements generally described as "derivatives". Derivatives are primarily used to reduce specific market risks, hedge currency and adjust portfolio duration and asset allocation in a cost-effective manner.

The weighted-average target allocation for plan assets of the company's U.S. and non-U.S. pension plans is summarized as follows:

Target allocation for plan assets at December 31,	2016	2015
U.S. equity securities	27%	29%
Non-U.S. equity securities	24	22
Fixed income securities	33	32
Hedge funds	2	2
Private market securities	8	9
Real estate	4	3
Cash and cash equivalents	2	3
Total	100%	100%

Global equity securities include varying market capitalization levels. U.S. equity investments are primarily large-cap companies. Global fixed income investments include corporate-issued, government-issued and asset-backed securities. Corporate debt investments include a range of credit risk and industry diversification. U.S. fixed income investments are weighted heavier than non-U.S. fixed income securities. Other investments include cash and cash equivalents, hedge funds, real estate and private market securities such as interests in private equity and venture capital partnerships.

Fair value calculations may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

The tables below presents the fair values of the company's pension assets by level within the fair value hierarchy, as described in Note 1, as of December 31, 2016 and 2015 , respectively.

Asset Category	Fair Value Measurements at December 31, 2016			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 1,505	\$ 1,480	\$ 25	\$ —
U.S. equity securities <sup>1</sup>	4,071	4,033	20	18
Non-U.S. equity securities	3,278	3,126	151	1
Debt – government-issued	2,067	864	1,203	—
Debt – corporate-issued	2,475	273	2,163	39
Debt – asset-backed	721	39	682	—
Hedge funds	1	—	1	—
Private market securities	67	—	25	42
Real estate	275	175	2	98
Derivatives – asset position	53	7	46	—
Derivatives – liability position	(47)	—	(47)	—
Other	4	—	4	—
Subtotal	\$ 14,470	\$ 9,997	\$ 4,275	\$ 198
Investments measured at net asset value				
Hedge funds	434			
Private market securities	1,416			
Real estate funds	444			
Total investments measured at net asset value	\$ 2,294			
Other items to reconcile to fair value of plan assets				
Pension trust receivables <sup>2</sup>	264			
Pension trust payables <sup>3</sup>	(372)			
Total	\$ 16,656			

1. The company's pension plans directly held \$732 ( 4 percent of total plan assets) of DuPont common stock at December 31, 2016 .
2. Primarily receivables for investment securities sold.
3. Primarily payables for investment securities purchased.

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

Asset Category	Fair Value Measurements at December 31, 2015			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 1,962	\$ 1,961	\$ 1	\$ —
U.S. equity securities <sup>1</sup>	3,873	3,843	10	20
Non-U.S. equity securities	3,597	3,480	115	2
Debt – government-issued	2,028	852	1,176	—
Debt – corporate-issued	2,374	291	2,049	34
Debt – asset-backed	831	44	786	1
Hedge funds	1	—	1	—
Private market securities	54	—	17	37
Real estate	246	98	4	144
Derivatives – asset position	58	10	48	—
Derivatives – liability position	(59)	1	(60)	—
Subtotal	\$ 14,965	\$ 10,580	\$ 4,147	\$ 238
Investments measured at net asset value				
Debt - government issued	\$ 8			
Debt - corporate issued	6			
Hedge funds	429			
Private market securities	1,553			
Real estate funds	457			
Total investments measured at net asset value	\$ 2,453			
Other items to reconcile to fair value of plan assets				
Pension trust receivables <sup>2</sup>	783			
Pension trust payables <sup>3</sup>	(704)			
Total	\$ 17,497			

<sup>1.</sup> The company's pension plans directly held \$664 ( 4 percent of total plan assets) of DuPont common stock at December 31, 2015 .

<sup>2.</sup> Primarily receivables for investment securities sold.

<sup>3.</sup> Primarily payables for investment securities purchased.

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

The company's pension plans hold Level 3 assets which are primarily ownership interests in investment partnerships and trusts that own private market securities and real estate. Fair value is generally based on the company's units of ownership and net asset value of the investment entity or the company's share of the investment entity's total equity. The table below presents a rollforward of activity for these assets for the years ended December 31, 2016 and 2015 :

	Level 3 Assets						
	Total	U.S. Equity Securities	Non-U.S. Equity Securities	Debt-Corporate Issued	Debt-Asset-Backed	Private Market Securities	Real Estate
Beginning balance at December 31, 2014	\$ 286	\$ 29	\$ 4	\$ 15	\$ 1	\$ 37	\$ 200
Realized (loss) gain	(32)	(14)	—	(18)	—	—	—
Change in unrealized (loss) gain	(11)	5	(3)	15	—	(5)	(23)
Purchases, sales and settlements, net	(18)	—	—	10	—	5	(33)
Transfers in (out) of Level 3	13	—	1	12	—	—	—
Ending balance at December 31, 2015	\$ 238	\$ 20	\$ 2	\$ 34	\$ 1	\$ 37	\$ 144
Realized (loss) gain	(28)	(3)	—	(25)	—	—	—
Change in unrealized (loss) gain	19	1	(1)	27	—	2	(10)
Purchases, sales and settlements, net	(37)	—	—	(3)	(1)	3	(36)
Transfers in (out) of Level 3	6	—	—	6	—	—	—
Ending balance at December 31, 2016	\$ 198	\$ 18	\$ 1	\$ 39	\$ —	\$ 42	\$ 98

The following table presents additional information about the pension plan assets valued using net asset value as a practical expedient:

	2016		2015			
	Fair Value	Unfunded Commitments	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period Range
Debt - government issued	\$ —	\$ —	\$ 8	\$ —	Monthly	3 days
Debt - corporate issued	—	—	6	—	Monthly	3 days
Hedge funds <sup>1</sup>	434	—	429	—	Monthly, Quarterly	Ranges from 3-45 days monthly, 3-90 days quarterly
Private market securities <sup>2</sup>	1,416	693	1,553	632	Not applicable	Not applicable
Real estate funds <sup>2</sup>	444	244	457	361	Not applicable	Not applicable
Total	\$ 2,294	\$ 937	\$ 2,453	\$ 993		

- <sup>1.</sup> Less than 5 percent of hedge funds have gates in place at the investor level for year end redemptions. Hedge funds also contain either no lock up or a lock up period of less than 1 year .
- <sup>2.</sup> The remaining life of private market securities and real estate funds is an average of 15 years per investment.

## Cash Flow

### Contributions

No contributions to its principal U.S. pension plan were made in 2014 or 2015 . The company contributed \$230 to the principal U.S. pension plan in 2016 and is expected to contribute about the same amount to this plan in 2017. The company contributed \$121 , \$184 , and \$218 to its pension plans other than the principal U.S. pension plan, its remaining plans with no plan assets and its other post employment benefit plans, respectively, in 2016 . The company contributed \$164 , \$144 , and \$237 to its pension plans other than the principal U.S. pension plan, its remaining plans with no plan assets and its other post employment benefit plans, respectively, in 2015 . In 2017 , the company expects to contribute \$95 to its pension plans other than the principal U.S. pension plan, \$85 to its remaining plans with no plan assets, and \$275 to its other post employment benefit plans.

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

*Estimated Future Benefit Payments*

The following benefit payments, which reflect future service, as appropriate, are expected to be paid:

	<b>Pension Benefits</b>	<b>Other Benefits</b>
2017	\$ 1,622	\$ 275
2018	1,601	233
2019	1,589	226
2020	1,575	217
2021	1,567	210
Years 2022-2026	7,596	931

**Defined Contribution Plan**

The company provides defined contribution benefits to its employees. The most significant is the Retirement Savings Plan (the Plan), which covers all U.S. full-service employees. This Plan includes a non-leveraged Employee Stock Ownership Plan (ESOP). Employees are not required to participate in the ESOP and those who do are free to diversify out of the ESOP. The purpose of the Plan is to provide retirement savings benefits for employees and to provide employees an opportunity to become stockholders of the company. The Plan is a tax qualified contributory profit sharing plan, with cash or deferred arrangement and any eligible employee of the company may participate. Currently, the company contributes 100 percent of the first 6 percent of the employee's contribution election and also contributes 3 percent of each eligible employee's eligible compensation regardless of the employee's contribution.

The company's contributions to the Plan were \$187 , \$219 and \$262 for the years ended December 31, 2016 , 2015 and 2014 , respectively. The company's matching contributions vest immediately upon contribution. The 3 percent nonmatching company contribution vests after employees complete three years of service. In addition, the company made contributions to other defined contribution plans of \$33 , \$57 and \$66 for the years ended December 31, 2016 , 2015 and 2014 , respectively. Included in the company's contributions are amounts related to discontinued operations of \$32 and \$57 for the years ended December 31, 2015 and 2014 , respectively. The company expects to contribute about the same amount as 2016 to its defined contribution plans in 2017 .

**18. COMPENSATION PLANS**

The total stock-based compensation cost included in continuing operations within the Consolidated Income Statements was \$119 , \$128 and \$136 for 2016 , 2015 and 2014 , respectively. The income tax benefits related to stock-based compensation arrangements were \$39 , \$42 and \$45 for 2016 , 2015 and 2014 , respectively.

The company's Equity Incentive Plan, as amended and restated effective March 14, 2016, (EIP), provides for equity-based and cash incentive awards to certain employees, directors, and consultants. Under the amended EIP, the maximum number of shares reserved for the grant or settlement of awards is 110 million shares, provided that each share in excess of 30 million that is issued with respect to any award that is not an option or stock appreciation right will be counted against the 110 million share limit as four and one-half shares. At December 31, 2016 , approximately 37 million shares were authorized for future grants under the EIP. The company satisfies stock option exercises and vesting of time-vested restricted stock units (RSUs) and performance-based restricted stock units (PSUs) with newly issued shares of DuPont common stock.

The company's Compensation Committee determines the long-term incentive mix, including stock options, RSUs and PSUs and may authorize new grants annually.

**Stock Options**

The exercise price of shares subject to option is equal to the market price of the company's stock on the date of grant. All options vest serially over a three-year period. Stock option awards granted between 2009 and 2015 expire seven years after the grant date and options granted in 2016 expire ten years after the grant date. The plan allows retirement-eligible employees to retain any granted awards upon retirement provided the employee has rendered at least six months of service following grant date.

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

For purposes of determining the fair value of stock options awards, the company uses the Black-Scholes option pricing model and the assumptions set forth in the table below. The weighted-average grant-date fair value of options granted in 2016 , 2015 and 2014 was \$13.40 , \$11.57 and \$13.68 , respectively.

	2016	2015	2014
Dividend yield	2.6%	2.5%	2.9%
Volatility	28.27%	22.52%	31.33%
Risk-free interest rate	1.8%	1.4%	1.7%
Expected life (years)	7.2	5.3	5.3

The company determines the dividend yield by dividing the current annual dividend on the company's stock by the option exercise price. A historical daily measurement of volatility is determined based on the expected life of the option granted. The risk-free interest rate is determined by reference to the yield on an outstanding U.S. Treasury note with a term equal to the expected life of the option granted. Expected life is determined by reference to the company's historical experience.

Stock option awards as of December 31, 2016 , and changes during the year then ended were as follows:

	Number of Shares (in thousands)	Weighted Average Exercise Price (per share)	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in thousands)
Outstanding, December 31, 2015	18,160	\$ 54.89		
Granted	1,690	58.79		
Exercised	(3,638)	43.31		
Forfeited	(281)	67.17		
Canceled	(122)	39.71		
Outstanding, December 31, 2016	15,809	\$ 58.11	3.92	\$ 240,030
Exercisable, December 31, 2016	9,519	\$ 53.48	3.10	\$ 189,624

The aggregate intrinsic values in the table above represent the total pre-tax intrinsic value (the difference between the company's closing stock price on the last trading day of 2016 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their in-the-money options at year end. This amount changes based on the fair market value of the company's stock. Total intrinsic value of options exercised for 2016 , 2015 and 2014 were \$86 , \$160 and \$219 , respectively. In 2016 , the company realized a tax benefit of \$28 from options exercised.

As of December 31, 2016 , \$19 of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted-average period of 1.52 years.

**RSUs and PSUs**

The company issues RSUs that serially vest over a three-year period and, upon vesting, convert one-for-one to DuPont common stock. A retirement-eligible employee retains any granted awards upon retirement provided the employee has rendered at least six months of service following the grant date. Additional RSUs are also granted periodically to key senior management employees. These RSUs generally vest over periods ranging from two to five years. The fair value of all stock-settled RSUs is based upon the market price of the underlying common stock as of the grant date.



**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

The company also grants PSUs to senior leadership. In 2016 , there were 365,177 PSUs granted. Vesting for PSUs granted in 2016 is based upon total shareholder return (TSR) relative to peer companies. Vesting for PSUs granted in 2015 is equally based upon change in operating net income relative to target and TSR relative to peer companies. Operating net income is net income attributable to DuPont excluding income from discontinued operations after taxes, significant after tax benefits (charges), and non-operating pension and OPEB costs. Vesting for PSUs granted in 2014 is equally based upon corporate revenue growth relative to peer companies and TSR relative to peer companies. Performance and payouts are determined independently for each metric. The actual award, delivered as DuPont common stock, can range from zero percent to 200 percent of the original grant. The weighted-average grant-date fair value of the PSUs granted in 2016 , subject to the TSR metric, was \$56.15 , and estimated using a Monte Carlo simulation. The weighted-average grant-date fair value of the PSUs, subject to the revenue metric, was based upon the market price of the underlying common stock as of the grant date.

Non-vested awards of RSUs and PSUs as of December 31, 2016 and 2015 are shown below. The weighted-average grant-date fair value of RSUs and PSUs granted during 2016 , 2015 and 2014 was \$59.50 , \$71.66 and \$64.64 , respectively.

	Number of Shares (in thousands)	Weighted Average Grant Date Fair Value (per share)
Nonvested, December 31, 2015	3,936	\$ 59.54
Granted	1,701	59.50
Vested	(1,460)	56.89
Forfeited	(286)	62.06
Nonvested, December 31, 2016	3,891	\$ 63.11

As of December 31, 2016 , there was \$75 of unrecognized stock-based compensation expense related to nonvested awards. That cost is expected to be recognized over a weighted-average period of 1.80 years. The total fair value of stock units vested during 2016 , 2015 and 2014 was \$83 , \$64 and \$75 , respectively.

**Other Cash-based Awards**

Cash awards under the EIP plan may be granted to employees who have contributed most to the company's success, with consideration being given to the ability to succeed to more important managerial responsibility. Such awards resulted in compensation expense of \$53 , \$31 and \$34 for 2016 , 2015 and 2014 , respectively included in income from continuing operations within the Consolidated Financial Statements. The amounts of the awards are dependent on company earnings and are subject to maximum limits as defined under the governing plans.

In addition, the company has other variable compensation plans under which cash awards may be granted. These plans include the company's regional and local variable compensation plans and Pioneer's Annual Reward Program. Such awards resulted in compensation expense of \$248 , \$150 and \$137 for 2016 , 2015 and 2014 , respectively, included in income from continuing operations within the Consolidated Financial Statements.

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

**19. FINANCIAL INSTRUMENTS**

**Objectives and Strategies for Holding Derivative Instruments**

In the ordinary course of business, the company enters into contractual arrangements (derivatives) to reduce its exposure to foreign currency, interest rate and commodity price risks. The company has established a variety of derivative programs to be utilized for financial risk management. These programs reflect varying levels of exposure coverage and time horizons based on an assessment of risk.

Derivative programs have procedures and controls and are approved by the Corporate Financial Risk Management Committee, consistent with the company's financial risk management policies and guidelines. Derivative instruments used are forwards, options, futures and swaps. The company has not designated any nonderivatives as hedging instruments.

The company's financial risk management procedures also address counterparty credit approval, limits and routine exposure monitoring and reporting. The counterparties to these contractual arrangements are major financial institutions and major commodity exchanges. The company is exposed to credit loss in the event of nonperformance by these counterparties. The company utilizes collateral support annex agreements with certain counterparties to limit its exposure to credit losses. The company's derivative assets and liabilities are reported on a gross basis in the Consolidated Balance Sheets. The company anticipates performance by counterparties to these contracts and therefore no material loss is expected. Market and counterparty credit risks associated with these instruments are regularly reported to management.

The notional amounts of the company's derivative instruments were as follows:

<b>December 31,</b>	<b>2016</b>	<b>2015</b>
Derivatives designated as hedging instruments:		
Foreign currency contracts	\$ —	\$ 10
Commodity contracts	422	356
Derivatives not designated as hedging instruments:		
Foreign currency contracts	9,896	8,065
Commodity contracts	7	70

*Foreign Currency Risk*

The company's objective in managing exposure to foreign currency fluctuations is to reduce earnings and cash flow volatility associated with foreign currency rate changes. Accordingly, the company enters into various contracts that change in value as foreign exchange rates change to protect the value of its existing foreign currency-denominated assets, liabilities, commitments and cash flows.

The company routinely uses forward exchange contracts to offset its net exposures, by currency, related to the foreign currency-denominated monetary assets and liabilities of its operations. The primary business objective of this hedging program is to maintain an approximately balanced position in foreign currencies so that exchange gains and losses resulting from exchange rate changes, net of related tax effects, are minimized. The company also uses foreign currency exchange contracts to offset a portion of the company's exposure to certain foreign currency-denominated revenues so that gains and losses on these contracts offset changes in the USD value of the related foreign currency-denominated revenues. The objective of the hedge program is to reduce earnings and cash flow volatility related to changes in foreign currency exchange rates.

*Interest Rate Risk*

The company uses interest rate swaps to manage the interest rate mix of the total debt portfolio and related overall cost of borrowing. Interest rate swaps involve the exchange of fixed for floating rate interest payments to effectively convert fixed rate debt into floating rate debt based on USD LIBOR. Interest rate swaps allow the company to achieve a target range of floating rate debt. The company had no interest rate swaps outstanding at December 31, 2016 and 2015.

*Commodity Price Risk*

Commodity price risk management programs serve to reduce exposure to price fluctuations on purchases of inventory such as corn, soybeans and soybean meal. The company enters into over-the-counter and exchange-traded derivative commodity instruments to hedge the commodity price risk associated with agricultural commodity exposures.

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

**Cash Flow Hedges**

*Foreign Currency Contracts*

The company uses foreign currency exchange instruments such as forwards and options to offset a portion of the company's exposure to certain foreign currency-denominated revenues so that gains and losses on these contracts offset changes in the USD value of the related foreign currency-denominated revenues. In addition, the company occasionally uses forward exchange contracts to offset a portion of the company's exposure to certain foreign currency-denominated transactions such as capital expenditures.

*Commodity Contracts*

The company enters into over-the-counter and exchange-traded derivative commodity instruments, including options, futures and swaps, to hedge the commodity price risk associated with agriculture commodity exposures.

While each risk management program has a different time maturity period, most programs currently do not extend beyond the next two -year period. Cash flow hedge results are reclassified into earnings during the same period in which the related exposure impacts earnings. Reclassifications are made sooner if it appears that a forecasted transaction is not probable of occurring. The following table summarizes the after-tax effect of cash flow hedges on accumulated other comprehensive loss for the years ended December 31, 2016 and 2015 :

December 31,	2016	2015
Beginning balance	\$ (24)	\$ (6)
Additions and revaluations of derivatives designated as cash flow hedges	20	(25)
Clearance of hedge results to earnings, after-tax	11	7
Ending balance	\$ 7	\$ (24)

At December 31, 2016 , an after-tax net loss of \$10 is expected to be reclassified from accumulated other comprehensive loss into earnings over the next twelve months.

**Derivatives not Designated in Hedging Relationships**

*Foreign Currency Contracts*

The company routinely uses forward exchange contracts to reduce its net exposure, by currency, related to foreign currency-denominated monetary assets and liabilities of its operations so that exchange gains and losses resulting from exchange rate changes are minimized. The netting of such exposures precludes the use of hedge accounting; however, the required revaluation of the forward contracts and the associated foreign currency-denominated monetary assets and liabilities intends to achieve a minimal earnings impact, after taxes. The company also uses foreign currency exchange contracts to offset a portion of the company's exposure to certain foreign currency-denominated revenues so that gains and losses on the contracts offset changes in the USD value of the related foreign currency-denominated revenues.

*Commodity Contracts*

The company utilizes options, futures and swaps that are not designated as hedging instruments to reduce exposure to commodity price fluctuations on purchases of inventory such as corn, soybeans and soybean meal.

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

**Fair Values of Derivative Instruments**

The table below presents the fair values of the company's derivative assets and liabilities within the fair value hierarchy, as described in Note 1, as of December 31, 2016 and 2015 .

		<b>Fair Value at December 31 Using Level 2 Inputs</b>	
	<b>Balance Sheet Location</b>	<b>2016</b>	<b>2015</b>
<b>Asset derivatives:</b>			
Derivatives not designated as hedging instruments:			
Foreign currency contracts <sup>1</sup>	Accounts and notes receivable, net	\$ 182	\$ 74
Total asset derivatives <sup>2</sup>		\$ 182	\$ 74
Cash collateral <sup>1</sup>	Other accrued liabilities	\$ 52	\$ 7
<b>Liability derivatives:</b>			
Derivatives not designated as hedging instruments:			
Foreign currency contracts	Other accrued liabilities	121	80
Commodity contracts	Other accrued liabilities	—	4
		121	84
Total liability derivatives <sup>2</sup>		\$ 121	\$ 84

<sup>1</sup> Cash collateral held as of December 31, 2016 and 2015 is related to foreign currency derivatives not related to hedging instruments.

<sup>2</sup> The company's derivative assets and liabilities subject to enforceable master netting arrangements totaled \$114 and \$35 at December 31, 2016 and 2015 .

**Effect of Derivative Instruments**

	<b>Amount of Gain (Loss) Recognized in OCL <sup>1</sup> (Effective Portion)</b>			<b>Amount of Gain (Loss) Recognized in Income <sup>2</sup></b>			<b>Income Statement Classification</b>
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	
Derivatives designated as hedging instruments:							
Fair value hedges:							
Interest rate swaps	\$ —	\$ —	\$ —	\$ —	\$ (1)	\$ (28)	Interest expense <sup>3</sup>
Cash flow hedges:							
Foreign currency contracts	—	(2)	27	—	10	11	Net sales
Foreign currency contracts	—	—	—	—	—	4	Income from discontinued operations after income taxes
Commodity contracts	32	(35)	26	(18)	(22)	(30)	Cost of goods sold
	32	(37)	53	(18)	(13)	(43)	
Derivatives not designated as hedging instruments:							
Foreign currency contracts	—	—	—	(304)	434	607	Other income, net <sup>4</sup>
Foreign currency contracts	—	—	—	(12)	(3)	—	Net sales
Commodity contracts	—	—	—	(11)	(2)	(21)	Cost of goods sold
	—	—	—	(327)	429	586	
Total derivatives	\$ 32	\$ (37)	\$ 53	\$ (345)	\$ 416	\$ 543	

<sup>1</sup> OCI is defined as other comprehensive loss.

<sup>2</sup> For cash flow hedges, this represents the effective portion of the gain (loss) reclassified from accumulated OCL into income during the period. For the years ended December 31, 2016 , 2015 and 2014 , there was no material ineffectiveness with regard to the company's cash flow hedges.

<sup>3</sup> Gain (loss) recognized in income of derivative is offset to \$0 by gain (loss) recognized in income of the hedged item.

<sup>4</sup> Gain (loss) recognized in other income, net, was partially offset by the related gain (loss) on the foreign currency-denominated monetary assets and liabilities of the company's operations, see Note 5 for additional information.

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

**Cash, Cash Equivalents and Marketable Securities**

The company's cash, cash equivalents and marketable securities as of December 31, 2016 and 2015 are comprised of the following:

	December 31, 2016			December 31, 2015		
	Cash and Cash Equivalents	Marketable Securities	Total Estimated Fair Value	Cash and Cash Equivalents	Marketable Securities	Total Estimated Fair Value
Cash	\$ 1,892	\$ —	\$ 1,892	\$ 1,938	\$ —	\$ 1,938
Level 1:						
Money market funds	\$ —	\$ —	\$ —	\$ 550	\$ —	\$ 550
U.S. Treasury securities <sup>1</sup>	—	—	—	—	788	788
Level 2:						
Certificate of deposit / time deposits <sup>2</sup>	\$ 2,713	\$ 1,362	\$ 4,075	\$ 2,812	\$ 118	\$ 2,930
Total cash, cash equivalents and marketable securities	\$ 4,605	\$ 1,362		\$ 5,300	\$ 906	

<sup>1.</sup> Available-for-sale securities are reported at estimated fair value with unrealized gains and losses reported as component of accumulated other comprehensive loss. Proceeds from the sale of available-for-sale securities were \$788 and \$75 in the years ended December 31, 2016, and 2015, respectively.

<sup>2.</sup> Held-to-maturity investments are reported at amortized cost.

The estimated fair value of the company's cash equivalents, which approximates carrying value as of December 31, 2016 and 2015, was determined using Level 1 and Level 2 inputs within the fair value hierarchy. Level 1 measurements were based on observed net asset values and Level 2 measurements were based on current interest rates for similar investments with comparable credit risk and time to maturity.

The estimated fair value of the held-to-maturity securities, which approximates carrying value as of December 31, 2016 and 2015, was determined using Level 2 inputs within the fair value hierarchy, as described below. Level 2 measurements were based on current interest rates for similar investments with comparable credit risk and time to maturity. The carrying value approximates fair value due to the short-term nature of the investments.

The estimated fair value of the available-for-sale securities as of December 31, 2015 was determined using Level 1 inputs within the fair value hierarchy. Level 1 measurements were based on quoted market prices in active markets for identical assets and liabilities. The available-for-sale securities as of December 31, 2015 were held by certain foreign subsidiaries in which the USD is not the functional currency. The fluctuations in foreign exchange were recorded in accumulated other comprehensive loss within the Consolidated Statements of Equity. These fluctuations were subsequently reclassified from accumulated other comprehensive loss to earnings in the period in which the marketable securities were sold and the gains and losses on these securities offset a portion of the foreign exchange fluctuations in earnings for the company.

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

**20. GEOGRAPHIC INFORMATION**

	Net Sales <sup>1</sup>		
	2016	2015	2014
<b>United States</b>	\$ 9,683	\$ 10,021	\$ 10,556
<b>Canada</b>	\$ 730	\$ 734	\$ 826
<b>EMEA <sup>2</sup></b>			
France	535	575	678
Germany	909	959	1,180
Italy	527	546	655
Other	3,768	3,963	4,806
Total EMEA	\$ 5,739	\$ 6,043	\$ 7,319
<b>Asia Pacific</b>			
China	2,200	2,067	2,325
India	704	615	603
Japan	840	843	961
Other	2,057	2,092	2,267
Total Asia Pacific	\$ 5,801	\$ 5,617	\$ 6,156
<b>Latin America</b>			
Brazil	1,392	1,401	2,051
Mexico	583	622	682
Other	666	692	816
Total Latin America	\$ 2,641	\$ 2,715	\$ 3,549
<b>Total</b>	\$ 24,594	\$ 25,130	\$ 28,406

<sup>1.</sup> Net sales, based on the location of the customer, are generally presented for locations with greater than two percent of total net sales.

<sup>2.</sup> Europe, Middle East, and Africa (EMEA).

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

	Net Property <sup>1</sup>		
	2016	2015	2014
<b>United States</b>	\$ 6,203	\$ 6,706	\$ 6,570
<b>Canada</b>	\$ 127	\$ 131	\$ 138
<b>EMEA <sup>2</sup></b>			
Denmark	211	217	242
France	218	217	239
Spain	188	200	251
Luxembourg	210	222	248
Other	740	747	883
Total EMEA	\$ 1,567	\$ 1,603	\$ 1,863
<b>Asia Pacific</b>			
China	339	362	306
Other	536	565	539
Total Asia Pacific	\$ 875	\$ 927	\$ 845
<b>Latin America</b>			
Brazil	314	263	411
Other	145	154	181
Total Latin America	\$ 459	\$ 417	\$ 592
<b>Total</b>	\$ 9,231	\$ 9,784	\$ 10,008

<sup>1.</sup> Net property is presented for locations with greater than two percent of the total and includes property, plant and equipment less accumulated depreciation.

<sup>2.</sup> Europe, Middle East, and Africa (EMEA).

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

**21. SEGMENT INFORMATION**

The company consists of 7 businesses which are aggregated into 6 reportable segments based on similar economic characteristics, the nature of the products and production processes, end-use markets, channels of distribution and regulatory environment. The company's reportable segments are Agriculture, Electronics & Communications, Industrial Biosciences, Nutrition & Health, Performance Materials and Protection Solutions. The company includes certain businesses not included in the reportable segments, such as pre-commercial programs, nonaligned businesses and pharmaceuticals in Other. Pre-commercial programs include approximately \$420 for the investment in a cellulosic biofuel facility in Nevada, Iowa which includes all material, engineering, and technical design costs involved in construction of the facility. The facility is expected to commence initial production activities in mid-2017.

Major products by segment include: Agriculture (corn hybrids and soybean varieties, herbicides, fungicides and insecticides); Electronics & Communications (printing and packaging materials, photopolymers and electronic materials); Industrial Biosciences (enzymes, bio-based materials and process technologies); Nutrition & Health (probiotics, cultures, emulsifiers, texturants, natural sweeteners and soy-based food ingredients); Performance Materials (engineering polymers, packaging and industrial polymers, films and elastomers); and Protection Solutions (nonwovens, aramids and solid surfaces). The company operates globally in substantially all of its product lines.

In general, the accounting policies of the segments are the same as those described in Note 1. Exceptions are noted as follows and are shown in the reconciliations below. Segment net assets includes net working capital, net property, plant and equipment, and other noncurrent operating assets and liabilities of the segment. Depreciation and amortization includes depreciation on research and development facilities and amortization of other intangible assets, excluding write-down of assets.

Segment operating earnings is defined as income (loss) from continuing operations before income taxes excluding significant pre-tax benefits (charges), non-operating pension and other post employment benefit (OPEB) costs, exchange gains (losses), corporate expenses and interest. Non-operating pension and OPEB costs includes all of the components of net periodic benefit cost from continuing operations with the exception of the service cost component. DuPont Sustainable Solutions, previously within the company's former Safety & Protection segment (now Protection Solutions) was comprised of two business units: clean technologies and consulting solutions. Effective January 1, 2016, the clean technologies business unit is reported within the Industrial Biosciences segment, and the consulting solutions business unit is reported within Other. Reclassifications of prior year data have been made to conform to current year classifications.



**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

	Agriculture	Electronics & Communications	Industrial Biosciences	Nutrition & Health	Performance Materials	Protection Solutions	Other	Total
<b>2016</b>								
Net sales	\$ 9,516	\$ 1,960	\$ 1,500	\$ 3,268	\$ 5,249	\$ 2,954	\$ 147	\$ 24,594
Operating earnings	1,758	358	270	504	1,297	668	(215)	4,640
Depreciation and amortization	417	87	100	223	130	146	10	1,113
Equity in earnings (losses) of affiliates, net	7	31	12	—	27	33	(11)	99
Segment net assets	6,342	1,186	2,855	5,182	2,711	2,220	321	20,817
Affiliate net assets	222	146	39	4	146	81	11	649
Purchases of property, plant and equipment	345	51	64	111	160	120	28	879
<b>2015</b>								
Net sales	\$ 9,798	\$ 2,070	\$ 1,478	\$ 3,256	\$ 5,305	\$ 3,039	\$ 184	\$ 25,130
Operating earnings	1,646	359	243	373	1,216	641	(235)	4,243
Depreciation and amortization	453	100	101	236	125	156	6	1,177
Equity in earnings (losses) of affiliates, net	31	24	7	—	(8)	23	(30)	47
Segment net assets	6,751	1,323	3,154	5,457	2,918	2,295	258	22,156
Affiliate net assets	234	139	41	9	171	71	23	688
Purchases of property, plant and equipment	334	45	84	120	159	96	132	970
<b>2014</b>								
Net sales	\$ 11,296	\$ 2,381	\$ 1,624	\$ 3,529	\$ 6,059	\$ 3,304	\$ 213	\$ 28,406
Operating earnings	2,352	336	269	369	1,267	672	(233)	5,032
Depreciation and amortization	436	97	102	264	139	168	8	1,214
Equity in earnings (losses) of affiliates, net	31	20	8	—	(77)	28	(47)	(37)
Segment net assets	6,696	1,359	3,241	5,942	3,125	2,339	316	23,018
Affiliate net assets	240	137	45	7	238	78	16	761
Purchases of property, plant and equipment	407	52	94	112	134	98	203	1,100

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

*Reconciliation to Consolidated Financial Statements*

Segment operating earnings to income from continuing operations before income taxes	2016	2015	2014
Total segment operating earnings	\$ 4,640	\$ 4,243	\$ 5,032
Significant pre-tax (charges) benefits not included in segment operating earnings	(168)	(38)	434
Non-operating pension and OPEB costs	(40)	(374)	(128)
Net exchange (losses) gains	(106)	30	196
Corporate expenses	(691)	(928)	(844)
Interest expense	(370)	(342)	(377)
Income from continuing operations before income taxes	\$ 3,265	\$ 2,591	\$ 4,313

Segment net assets to total assets at December 31,	2016	2015	2014
Total segment net assets	\$ 20,817	\$ 22,156	\$ 23,018
Corporate assets <sup>1</sup>	11,306	11,163	12,889
Liabilities included in segment net assets	7,841	7,847	8,356
Assets related to discontinued operations <sup>2</sup>	—	—	6,227
Total assets	\$ 39,964	\$ 41,166	\$ 50,490

<sup>1.</sup> Pension assets are included in corporate assets.

<sup>2.</sup> See Note 1 for additional information on the presentation of Performance Chemicals which met the criteria for discontinued operations.

Other items	Segment Totals	Adjustments <sup>1</sup>	Consolidated Totals
<b>2016</b>			
Depreciation and amortization	\$ 1,113	\$ 145	\$ 1,258
Equity in earnings of affiliates, net	99	—	99
Affiliate net assets	649	—	649
Purchases of property, plant and equipment	879	140	1,019
<b>2015</b>			
Depreciation and amortization	\$ 1,177	\$ 289	\$ 1,466
Equity in earnings of affiliates, net	47	2	49
Affiliate net assets	688	—	688
Purchases of property, plant and equipment	970	659	1,629
<b>2014</b>			
Depreciation and amortization	\$ 1,214	\$ 403	\$ 1,617
Equity in (losses) earnings of affiliates, net	(37)	1	(36)
Affiliate net assets	761	1	762
Purchases of property, plant and equipment	1,100	920	2,020

<sup>1.</sup> Adjustments include amounts related to Corporate in all periods presented, and to the Performance Chemicals business in 2015 and 2014, as it met the criteria for discontinued operations during 2015. See Note 1 for additional information on the presentation of discontinued operations and See Note 3 for depreciation, amortization and purchases of property, plant and equipment related to Performance Chemicals for the years ended December 31, 2015 and 2014.

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

*Additional Segment Details*

2016 included the following significant pre-tax benefits (charges) which are excluded from segment operating earnings:

Agriculture <sup>1,2,3,4</sup>	\$ (37)
Electronics & Communications <sup>2,4</sup>	4
Industrial Biosciences <sup>2,4,5</sup>	(152)
Nutrition & Health <sup>2,4</sup>	9
Performance Materials <sup>2,4</sup>	5
Protection Solutions <sup>2,4</sup>	14
Other <sup>2</sup>	(11)
	\$ (168)

- <sup>1.</sup> Included \$30 of net insurance recoveries recorded in other operating charges for recovery of costs for customer claims related to the use of the Imprelis<sup>®</sup> herbicide. Included a benefit of \$23 in other operating charges for reduction in the accrual for customer claims related to the use of the Imprelis<sup>®</sup> herbicide.
- <sup>2.</sup> The company recorded a \$(3) net restructuring charge in employee separation / asset related charges, net for the year ended December 31, 2016, associated with the 2016 global cost savings and restructuring program. See Note 4 for additional information.
- <sup>3.</sup> Includes a \$(68) restructuring charge recorded in employee separation / asset related charges, net for the year ended December 31, 2016, related to the decision not to re-start the insecticide manufacturing facility at the La Porte site located in La Porte, Texas. See Note 4 for additional information.
- <sup>4.</sup> The company recorded a \$8 restructuring benefit recorded in employee separation/asset related charges, net, for adjustments to the previously recognized severance costs related to the 2014 restructuring program. See Note 4 for additional information.
- <sup>5.</sup> The company recorded a \$(158) charge in employee separation / asset related charges, net, for the year ended December 31, 2016, related to the write-down of indefinite lived intangible assets. See Note 4 for additional information.

2015 included the following significant pre-tax benefits (charges) which are excluded from segment operating earnings:

Agriculture <sup>1,2,5</sup>	\$ 148
Electronics & Communications <sup>1,5</sup>	(78)
Industrial Biosciences <sup>1,5</sup>	(61)
Nutrition & Health <sup>1,5</sup>	(50)
Performance Materials <sup>1,5</sup>	(62)
Protection Solutions <sup>1,3,5</sup>	105
Other <sup>1,4,5</sup>	(40)
	\$ (38)

- <sup>1.</sup> Included a \$10 net restructuring benefit recorded in employee separation/asset related charges, net, associated with the 2014 restructuring program. These adjustments were primarily due to the identification of additional projects in certain segments, offset by lower than estimated individual severance costs and workforce reductions achieved through non-severance programs. See Note 4 for additional information.
- <sup>2.</sup> Included \$182 of net insurance recoveries recorded in other operating charges for recovery of costs for customer claims related to the use of the Imprelis<sup>®</sup> herbicide. Included a benefit of \$130 in other operating charges for reduction in the accrual for customer claims related to the use of the Imprelis<sup>®</sup> herbicide.
- <sup>3.</sup> Included a gain of \$145, net of legal expenses, recorded in other income, net related to the company's settlement of a legal claim.
- <sup>4.</sup> Included a \$(37) pre-tax impairment charge recorded in employee separation / asset related charges, net for a cost basis investment. See Note 4 for additional information.
- <sup>5.</sup> Included a \$(468) restructuring charge consisting of \$(463) recorded in employee separation/asset related charges, net and \$(5) recorded in other income, net associated with the 2016 global cost savings and restructuring program. See Note 4 for additional information.

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

2014 included the following significant pre-tax benefits (charges) which are excluded from segment operating earnings:

Agriculture <sup>1,2,3</sup>	\$ 316
Electronics & Communications <sup>1</sup>	(84)
Industrial Biosciences <sup>1</sup>	(20)
Nutrition & Health <sup>1</sup>	(15)
Performance Materials <sup>1,4</sup>	292
Protection Solutions <sup>1</sup>	(45)
Other <sup>1</sup>	(10)
	\$ 434

- <sup>1.</sup> Included a \$(407) restructuring charge associated with the 2014 restructuring program consisting of \$(342) recorded in employee separation / asset related charges, net and \$(65) recorded in other income, net. See Note 4 for additional information.
- <sup>2.</sup> Included income of \$210 for insurance recoveries, recorded in other operating charges associated with the company's process to fairly resolve claims related to the use of Imprelis<sup>®</sup> herbicide.
- <sup>3.</sup> Included a gain of \$240 recorded in other income, net associated with the sale of the copper fungicide and land management businesses, both within the Agriculture segment.
- <sup>4.</sup> Included a gain of \$391 recorded in other income, net associated with the sale of Glass Laminating Solutions / Vinyls. See Note 3 for additional information.

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

**22. QUARTERLY FINANCIAL DATA**

Unaudited	For the quarter ended			
	March 31,	June 30,	September 30,	December 31,
<b>2016</b>				
Net sales	\$ 7,405	\$ 7,061	\$ 4,917	\$ 5,211
Cost of goods sold	4,242	3,990	3,090	3,147
Employee separation / asset related charges, net <sup>2</sup>	77	(90)	172	393
Income (loss) from continuing operations before income taxes	1,635 <sup>3,4,5</sup>	1,333 <sup>3,4</sup>	(56) <sup>3</sup>	353 <sup>3</sup>
Net income	1,232	1,024	6	263
Basic earnings per share of common stock from continuing operations <sup>1</sup>	1.40	1.17	0.01	0.29
Diluted earnings per share of common stock from continuing operations <sup>1</sup>	1.39	1.16	0.01	0.29
<b>2015</b>				
Net sales	\$ 7,837	\$ 7,121	\$ 4,873	\$ 5,299
Cost of goods sold	4,516	4,103	3,084	3,409
Employee separation / asset related charges, net <sup>2</sup>	38	2	—	770
Income (loss) from continuing operations before income taxes	1,551 <sup>6,7,8</sup>	1,234 <sup>6,9</sup>	227 <sup>6,7</sup>	(421) <sup>7,9,10</sup>
Net income	1,035	945	235	(256)
Basic earnings per share of common stock from continuing operations <sup>1</sup>	1.12	1.07	0.14	(0.26)
Diluted earnings per share of common stock from continuing operations <sup>1</sup>	1.11	1.06	0.14	(0.26)

<sup>1.</sup> Earnings per share for the year may not equal the sum of quarterly earnings per share due to changes in average share calculations.

<sup>2.</sup> See Note 4 for additional information.

<sup>3.</sup> First, second, third and fourth quarter 2016 included charges of \$(24) , \$(76) , \$(122) , and \$(164) , respectively, recorded in selling, general and administrative expenses related to transaction costs associated with the planned merger with the Dow Chemical Company announced on December 11, 2015. See Note 2 for additional information.

<sup>4.</sup> First quarter 2016 included a benefit of \$23 , in other operating charges, for reductions in the accrual for customer claims related to the use of the Imprelis <sup>®</sup> herbicide. The company recorded insurance recoveries of \$30 in the second quarter 2016, in other operating charges, for recovery of costs for customer claims related to the use of the Agriculture's segment Imprelis <sup>®</sup> herbicide.

<sup>5.</sup> First quarter 2016 included a gain of \$369 recorded in other income, net associated with the sale of the DuPont (Shenzhen) Manufacturing Limited entity, which held certain buildings and other assets. See Note 3 for additional information.

<sup>6.</sup> First and third quarter 2015 included charges of \$(12) and \$(9) , respectively, recorded in other operating charges associated with transaction costs related to the separation of the Performance Chemicals segment. Second quarter 2015 included charges of \$(5) recorded in other operating charges and \$(20) recorded in interest expense. See Note 3 for additional information.

<sup>7.</sup> First and third quarter 2015 included net insurance recoveries of \$35 and \$147 , respectively, recorded in other operating charges in the Agriculture segment, for recovery of costs for customer claims related to the use of the Imprelis <sup>®</sup> herbicide. Fourth quarter 2015 included a benefit of \$130 in other operating charges for reduction in accrual for customer claims related to the use of the Agriculture segment's Imprelis <sup>®</sup> herbicide.

<sup>8.</sup> First quarter 2015 included a \$(40) pre-tax charge within other income, net associated with the re-measurement of the Ukraine hryvnia net monetary assets.

<sup>9.</sup> Second and fourth quarter 2015 included gains of \$112 and \$33 , respectively, net of legal expenses, recorded in other income, net related to the company's settlement of a legal claim. This matter relates to the Protection Solutions segment.

<sup>10.</sup> Fourth quarter 2015 included charges of \$(10) recorded in selling, general and administrative expenses related to transaction costs associated with the planned merger with the Dow Chemical Company announced on December 11, 2015. See Note 2 for additional information.

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

**23. SUBSEQUENT EVENTS**

On January 31, 2017, the company entered into a committed receivable repurchase facility of up to \$1,300 (the 2017 repurchase facility) that expires on November 30, 2017. Under the 2017 repurchase facility, the company may sell a portfolio of available and eligible outstanding customer notes receivables within the Agriculture segment to participating institutions and simultaneously agree to repurchase at a future date. The 2017 repurchase facility is considered a secured borrowing with the customer notes receivables, inclusive of those that are sold and repurchased, equal to 105 percent of the outstanding amounts borrowed utilized as collateral. Borrowings under the repurchase facility will have an interest rate of LIBOR + 0.75 percent .

## Information for Investors

### Corporate Headquarters

E. I. du Pont de Nemours and Company  
Chestnut Run Plaza  
974 Centre Road  
P.O. Box 2915  
Wilmington, DE 19805  
Telephone: 302 774-1000  
E-mail: <http://www.dupont.com> (click on Contact)

### Stock Exchange Listings

DuPont common stock (Symbol DD) is listed on the New York Stock Exchange, Inc. (NYSE). Quarterly high and low market prices are shown in Item 5 of the Form 10-K. DuPont preferred stock is listed on the New York Stock Exchange, Inc. (Symbol DDPrA for \$3.50 series and Symbol DDPrB for \$4.50 series).

### Dividends

Holders of the company's common stock are entitled to receive dividends when they are declared by the Board of Directors. While it is not a guarantee of future conduct, the company has continuously paid a quarterly dividend since the fourth quarter 1904. Dividends on common stock and preferred stock are usually declared in January, April, July and October. When dividends on common stock are declared, they are usually paid mid-March, June, September and December. Preferred dividends are paid on or about the 25<sup>th</sup> of January, April, July and October.

### Shareholder Services

Inquiries from shareholders about stock accounts, transfers, certificates, dividends (including direct deposit and reinvestment), name or address changes and electronic delivery of proxy materials may be directed to DuPont's stock transfer agent:

Computershare Trust Company, N.A.  
P.O. Box 30170  
College Station, TX, 77842-3170  
or call: in the United States and Canada  
888 983-8766 (toll-free)  
other locations-781 575-2724  
for the hearing impaired-  
TDD: 800 952-9245 (toll-free)  
or visit Computershare's home page at  
<http://www.computershare.com/investor>

### Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP  
Two Commerce Square, Suite 1800  
2001 Market Street  
Philadelphia, PA 19103

### Investor Relations

Institutional investors and other representatives of financial institutions should contact:  
E. I. du Pont de Nemours and Company  
DuPont Investor Relations  
974 Centre Road, CRP730/5360-3  
Wilmington, DE 19805  
or call 302 774-4994

### Bondholder Relations

E. I. du Pont de Nemours and Company  
DuPont Finance  
974 Centre Road, CRP730/4170-5  
Wilmington, DE 19805  
or call 302 999-4488  
or 302 999-4487

### DuPont on the Internet

Financial results, news and other information about DuPont can be accessed from the company's website at <http://www.dupont.com>. This site includes important information on products and services, financial reports, news releases, environmental information and career opportunities. The company's periodic and current reports filed with the SEC are available on its website, free of charge, as soon as reasonably practicable after being filed.

### Product Information/Referral

From the United States and Canada:  
800 441-7515 (toll-free)  
From other locations: 302 774-1000  
On the Internet: <http://www.dupont.com> (click on Contact)

### Printed Reports Available to Shareholders

The following company reports may be obtained, without charge:

1. 2016 Annual Report to the Securities and Exchange Commission, filed on Form 10-K;
2. Proxy Statement for 2017 Annual Meeting of Stockholders; and
3. Quarterly reports to the Securities and Exchange Commission, filed on Form 10-Q

Requests should be addressed to:

DuPont Corporate Customer Care  
CRP - 735 (second floor)  
974 Centre Road, P.O. Box 2915  
Wilmington, DE 19805  
or call: From the United States and Canada: 800-441-7515 (toll free)  
From other locations: 302-774-1000  
On the Internet: <http://www.dupont.com> (click on Contact)

## Services for Shareholders

### Online Account Access

Registered shareholders may access their accounts and obtain online answers to stock transfer questions by signing up for Internet access by visiting <http://www.computershare.com/investor>. Shareholders have the option to request direct deposit of stock dividends, and electronic delivery of account statements and 1099-DIV tax forms.

### Dividend Reinvestment Plan

An automatic dividend reinvestment plan is available to all registered shareholders. Common or preferred dividends can be automatically reinvested in DuPont common stock. Participants also may add cash for the purchase of additional shares. A detailed account statement is mailed after each investment. Your account can also be viewed over the Internet if you have Online Account Access (see above). To enroll in the plan, please contact Computershare (listed above).

### Online Delivery of Proxy Materials

Shareholders may request their proxy materials electronically by visiting <http://enroll.icsdelivery.com/dd>.

### Direct Deposit of Dividends

Registered shareholders who would like their dividends directly deposited in a U.S. bank account should contact Computershare (listed above).

# Master Repurchase Agreement

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September 1996 Version

Dated as of	January 31, 2017
Between:	Coöperatieve Rabobank, U.A., New York Branch
and	The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch
	PHI Financial Services, Inc.

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## 1. Applicability

From time to time the parties hereto may enter into transactions in which one party (“Seller”) agrees to transfer to the other (“Buyer”) securities or other assets (“Securities”) against the transfer of funds by Buyer, with a simultaneous agreement by Buyer to transfer to Seller such Securities at a date certain or on demand, against the transfer of funds by Seller. Each such transaction shall be referred to herein as a “Transaction” and, unless otherwise agreed in writing, shall be governed by this Agreement, including any supplemental terms or conditions contained in Annex I hereto and in any other annexes identified herein or therein as applicable hereunder.

## 2. Definitions

- (a) “Act of Insolvency”, with respect to any party, (i) the commencement by such party as debtor of any case or proceeding under any bankruptcy, insolvency, reorganization, liquidation, moratorium, dissolution, delinquency or similar law, or such party seeking the appointment or election of a receiver, conservator, trustee, custodian or similar official for such party or any substantial part of its property, or the convening of any meeting of creditors for purposes of commencing any such case or proceeding or seeking such an appointment or election, (ii) the commencement of any such case or proceeding against such party, or another seeking such an appointment or election, or the filing against a party of an application for a protective decree under the provisions of the Securities Investor Protection Act of 1970, which (A) is consented to or not timely contested by such party, (B) results in the entry of an order for relief, such an appointment or election, the issuance of such a protective decree or the entry of an order having a similar effect, or (C) is not dismissed within 15 days, (iii) the making by such party of a general assignment for the benefit of creditors, or (iv) the admission in writing by such party of such party’s inability to pay such party’s debts as they become due;
  - (b) “Additional Purchased Securities”, Securities provided by Seller to Buyer pursuant to Paragraph 4(a) hereof;
  - (c) “Buyer’s Margin Amount”, with respect to any Transaction as of any date, the amount obtained by application of the Buyer’s Margin Percentage to the Repurchase Price for such Transaction as of such date;
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- (d) “Buyer’s Margin Percentage”, with respect to any Transaction as of any date, a percentage (which may be equal to the Seller’s Margin Percentage) agreed to by Buyer and Seller or, in the absence of any such agreement, the percentage obtained by dividing the Market Value of the Purchased Securities on the Purchase Date by the Purchase Price on the Purchase Date for such Transaction;
- (e) “Confirmation”, the meaning specified in Paragraph 3(b) hereof;
- (f) “Income”, with respect to any Security at any time, any principal thereof and all interest, dividends or other distributions thereon;
- (g) “Margin Deficit”, the meaning specified in Paragraph 4(a) hereof;
- (h) “Margin Excess”, the meaning specified in Paragraph 4(b) hereof;
- (i) “Margin Notice Deadline”, the time agreed to by the parties in the relevant Confirmation, Annex I hereto or otherwise as the deadline for giving notice requiring same-day satisfaction of margin maintenance obligations as provided in Paragraph 4 hereof (or, in the absence of any such agreement, the deadline for such purposes established in accordance with market practice);
- (j) “Market Value”, with respect to any Securities as of any date, the price for such Securities on such date obtained from a generally recognized source agreed to by the parties or the most recent closing bid quotation from such a source, plus accrued Income to the extent not included therein (other than any Income credited or transferred to, or applied to the obligations of, Seller pursuant to Paragraph 5 hereof) as of such date (unless contrary to market practice for such Securities);
- (k) “Price Differential”, with respect to any Transaction as of any date, the aggregate amount obtained by daily application of the Pricing Rate for such Transaction to the Purchase Price for such Transaction on a 360 day per year basis for the actual number of days during the period commencing on (and including) the Purchase Date for such Transaction and ending on (but excluding) the date of determination (reduced by any amount of such Price Differential previously paid by Seller to Buyer with respect to such Transaction);
- (l) “Pricing Rate”, the per annum percentage rate for determination of the Price Differential;
- (m) “Prime Rate”, the prime rate of U.S. commercial banks as published in The Wall Street Journal (or, if more than one such rate is published, the average of such rates);
- (n) “Purchase Date”, the date on which Purchased Securities are to be transferred by Seller to Buyer;

2 | September 1996 | Master Repurchase Agreement

- (o) “Purchase Price”, (i) on the Purchase Date, the price at which Purchased Securities are transferred by Seller to Buyer, and (ii) thereafter, except where Buyer and Seller agree otherwise, such price increased by the amount of any cash transferred by Buyer to Seller pursuant to Paragraph 4(b) hereof and decreased by the amount of any cash transferred by Seller to Buyer pursuant to Paragraph 4(a) hereof or applied to reduce Seller’s obligations under clause (ii) of Paragraph 5 hereof;

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- (p) “Purchased Securities”, the Securities transferred by Seller to Buyer in a Transaction here-under, and any Securities substituted therefor in accordance with Paragraph 9 hereof. The term “Purchased Securities” with respect to any Transaction at any time also shall include Additional Purchased Securities delivered pursuant to Paragraph 4(a) hereof and shall exclude Securities returned pursuant to Paragraph 4(b) hereof;
- (q) “Repurchase Date”, the date on which Seller is to repurchase the Purchased Securities from Buyer, including any date determined by application of the provisions of Paragraph 3(c) or 11 hereof;
- (r) “Repurchase Price”, the price at which Purchased Securities are to be transferred from Buyer to Seller upon termination of a Transaction, which will be determined in each case (including Transactions terminable upon demand) as the sum of the Purchase Price and the Price Differential as of the date of such determination;
- (s) “Seller’s Margin Amount”, with respect to any Transaction as of any date, the amount obtained by application of the Seller’s Margin Percentage to the Repurchase Price for such Transaction as of such date;
- (t) “Seller’s Margin Percentage”, with respect to any Transaction as of any date, a percentage (which may be equal to the Buyer’s Margin Percentage) agreed to by Buyer and Seller or, in the absence of any such agreement, the percentage obtained by dividing the Market Value of the Purchased Securities on the Purchase Date by the Purchase Price on the Purchase Date for such Transaction.

### **3. Initiation; Confirmation; Termination**

- (a) An agreement to enter into a Transaction may be made orally or in writing at the initiation of either Buyer or Seller. On the Purchase Date for the Transaction, the Purchased Securities shall be transferred to Buyer or its agent against the transfer of the Purchase Price to an account of Seller.
  - (b) Upon agreeing to enter into a Transaction hereunder, Buyer or Seller (or both), as shall be agreed, shall promptly deliver to the other party a written confirmation of each Transaction (a “Confirmation”). The Confirmation shall describe the Purchased Securities (including CUSIP number, if any), identify Buyer and Seller and set forth (i) the Purchase Date, (ii) the Purchase Price, (iii) the Repurchase Date, unless the Transaction is to be terminable on demand, (iv) the Pricing Rate or Repurchase Price applicable to the Transaction, and (v) any additional terms or conditions of the Transaction not inconsistent with this Agreement. The Confirmation, together with this Agreement, shall constitute conclusive evidence of the terms agreed between Buyer and Seller with respect to the Transaction to which the Confirmation relates, unless with
- September 1996 j Master Repurchase Agreement j 3
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respect to the Confirmation specific objection is made promptly after receipt thereof. In the event of any conflict between the terms of such Confirmation and this Agreement, this Agreement shall prevail.

- (c) In the case of Transactions terminable upon demand, such demand shall be made by Buyer or Seller, no later than such time as is customary in accordance with market practice, by telephone or otherwise on or prior to the business day on which such termination will be effective. On the date specified in such demand, or on the date fixed for termination in the case of Transactions having a fixed term, termination of the Transaction will be effected by transfer to Seller or its agent of the Purchased Securities and any Income in respect thereof received by Buyer (and not previously credited or transferred to, or applied to the obligations of, Seller pursuant to Paragraph 5 hereof) against the transfer of the Repurchase Price to an account of Buyer.

#### **4. Margin Maintenance**

- (a) If at any time the aggregate Market Value of all Purchased Securities subject to all Transactions in which a particular party hereto is acting as Buyer is less than the aggregate Buyer's Margin Amount for all such Transactions (a "Margin Deficit"), then Buyer may by notice to Seller require Seller in such Transactions, at Seller's option, to transfer to Buyer cash or additional Securities reasonably acceptable to Buyer ("Additional Purchased Securities"), so that the cash and aggregate Market Value of the Purchased Securities, including any such Additional Purchased Securities, will thereupon equal or exceed such aggregate Buyer's Margin Amount (decreased by the amount of any Margin Deficit as of such date arising from any Transactions in which such Buyer is acting as Seller).
- (b) If at any time the aggregate Market Value of all Purchased Securities subject to all Transactions in which a particular party hereto is acting as Seller exceeds the aggregate Seller's Margin Amount for all such Transactions at such time (a "Margin Excess"), then Seller may by notice to Buyer require Buyer in such Transactions, at Buyer's option, to transfer cash or Purchased Securities to Seller, so that the aggregate Market Value of the Purchased Securities, after deduction of any such cash or any Purchased Securities so transferred, will thereupon not exceed such aggregate Seller's Margin Amount (increased by the amount of any Margin Excess as of such date arising from any Transactions in which such Seller is acting as Buyer).
- (c) If any notice is given by Buyer or Seller under subparagraph (a) or (b) of this Paragraph at or before the Margin Notice Deadline on any business day, the party receiving such notice shall transfer cash or Additional Purchased Securities as provided in such subparagraph no later than the close of business in the relevant market on such day. If any such notice is given after the Margin Notice Deadline, the party receiving such notice shall transfer such cash or Securities no later than the close of business in the relevant market on the next business day following such notice.
- (d) Any cash transferred pursuant to this Paragraph shall be attributed to such Transactions as shall be agreed upon by Buyer and Seller.

- (e) Seller and Buyer may agree, with respect to any or all Transactions hereunder, that the respective rights of Buyer or Seller (or both) under subparagraphs (a) and (b) of this Paragraph may be exercised only where a Margin Deficit or Margin Excess, as the case may be, exceeds a specified dollar amount or a specified percentage of the Repurchase Prices for such Transactions (which amount or percentage shall be agreed to by Buyer and Seller prior to entering into any such Transactions).
- (f) Seller and Buyer may agree, with respect to any or all Transactions hereunder, that the respective rights of Buyer and Seller under subparagraphs (a) and (b) of this Paragraph to require the elimination of a Margin Deficit or a Margin Excess, as the case may be, may be exercised whenever such a Margin Deficit or Margin Excess exists with respect to any single Transaction hereunder (calculated without regard to any other Transaction outstanding under this Agreement).

## **5. Income Payments**

Seller shall be entitled to receive an amount equal to all Income paid or distributed on or in respect of the Securities that is not otherwise received by Seller, to the full extent it would be so entitled if the Securities had not been sold to Buyer. Buyer shall, as the parties may agree with respect to any Transaction (or, in the absence of any such agreement, as Buyer shall reasonably determine in its discretion), on the date such Income is paid or distributed either (i) transfer to or credit to the account of Seller such Income with respect to any Purchased Securities subject to such Transaction or (ii) with respect to Income paid in cash, apply the Income payment or payments to reduce the amount, if any, to be transferred to Buyer by Seller upon termination of such Transaction. Buyer shall not be obligated to take any action pursuant to the preceding sentence (A) to the extent that such action would result in the creation of a Margin Deficit, unless prior thereto or simultaneously therewith Seller transfers to Buyer cash or Additional Purchased Securities sufficient to eliminate such Margin Deficit, or (B) if an Event of Default with respect to Seller has occurred and is then continuing at the time such Income is paid or distributed.

## **6. Security Interest**

Although the parties intend that all Transactions hereunder be sales and purchases and not loans, in the event any such Transactions are deemed to be loans, Seller shall be deemed to have pledged to Buyer as security for the performance by Seller of its obligations under each such Transaction, and shall be deemed to have granted to Buyer a security interest in, all of the Purchased Securities with respect to all Transactions hereunder and all Income thereon and other proceeds thereof.

## **7. Payment and Transfer**

Unless otherwise mutually agreed, all transfers of funds hereunder shall be in immediately available funds. All Securities transferred by one party hereto to the other party (i) shall be in suitable form for transfer or shall be accompanied by duly executed instruments of transfer or assignment in blank and such other documentation as the party receiving possession may reasonably request, (ii) shall be transferred on the book-entry system of a Federal Reserve Bank, or (iii) shall be transferred by any other method mutually acceptable to Seller and Buyer.

## 8. Segregation of Purchased Securities

To the extent required by applicable law, all Purchased Securities in the possession of Seller shall be segregated from other securities in its possession and shall be identified as subject to this Agreement. Segregation may be accomplished by appropriate identification on the books and records of the holder, including a financial or securities intermediary or a clearing corporation. All of Seller's interest in the Purchased Securities shall pass to Buyer on the Purchase Date and, unless otherwise agreed by Buyer and Seller, nothing in this Agreement shall preclude Buyer from engaging in repurchase transactions with the Purchased Securities or otherwise selling, transferring, pledging or hypothecating the Purchased Securities, but no such transaction shall relieve Buyer of its obligations to transfer Purchased Securities to Seller pursuant to Paragraph 3, 4 or 11 hereof, or of Buyer's obligation to credit or pay Income to, or apply Income to the obligations of, Seller pursuant to Paragraph 5 hereof.

### **Required Disclosure for Transactions in Which the Seller Retains Custody of the Purchased Securities**

Seller is not permitted to substitute other securities for those subject to this Agreement and therefore must keep Buyer's securities segregated at all times, unless in this Agreement Buyer grants Seller the right to substitute other securities. If Buyer grants the right to substitute, this means that Buyer's securities will likely be commingled with Seller's own securities during the trading day. Buyer is advised that, during any trading day that Buyer's securities are commingled with Seller's securities, they [will]\* [may]\*\* be subject to liens granted by Seller to [its clearing bank]\* [third parties]\*\* and may be used by Seller for deliveries on other securities transactions. Whenever the securities are commingled, Seller's ability to resegment substitute securities for Buyer will be subject to Seller's ability to satisfy [the clearing]\* [any]\*\* lien or to obtain substitute securities.

\* Language to be used under 17 C.F.R. §403.4(e) if Seller is a government securities broker or dealer other than a financial institution.

\*\* Language to be used under 17 C.F.R. §403.5(d) if Seller is a financial institution.

## 9. Substitution

- (a) Seller may, subject to agreement with and acceptance by Buyer, substitute other Securities for any Purchased Securities. Such substitution shall be made by transfer to Buyer of such other Securities and transfer to Seller of such Purchased Securities. After substitution, the substituted Securities shall be deemed to be Purchased Securities.
- (b) In Transactions in which Seller retains custody of Purchased Securities, the parties expressly agree that Buyer shall be deemed, for purposes of subparagraph (a) of this Paragraph, to have agreed to and accepted in this Agreement substitution by Seller of other Securities for Purchased Securities; provided, however, that such other Securities shall have a Market Value at least equal to the Market Value of the Purchased Securities for which they are substituted.

## 10. Representations

Each of Buyer and Seller represents and warrants to the other that (i) it is duly authorized to execute and deliver this Agreement, to enter into Transactions contemplated hereunder and to perform its obligations hereunder and has taken all necessary action to authorize such execution, delivery and performance, (ii) it will engage in such Transactions as principal (or, if agreed in writing, in the form of an annex hereto or otherwise, in advance of any Transaction by the other party hereto, as agent for a disclosed principal), (iii) the person signing this Agreement on its behalf is duly authorized to do so on its behalf (or on behalf of any such disclosed principal), (iv) it has obtained all authorizations of any governmental body required in connection with this Agreement and the Transactions hereunder and such authorizations are in full force and effect and (v) the execution, delivery and performance of this Agreement and the Transactions hereunder will not violate any law, ordinance, charter, bylaw or rule applicable to it or any agreement by which it is bound or by which any of its assets are affected. On the Purchase Date for any Transaction Buyer and Seller shall each be deemed to repeat all the foregoing representations made by it.

## 11. Events of Default

In the event that (i) Seller fails to transfer or Buyer fails to purchase Purchased Securities upon the applicable Purchase Date, (ii) Seller fails to repurchase or Buyer fails to transfer Purchased Securities upon the applicable Repurchase Date, (iii) Seller or Buyer fails to comply with Paragraph 4 hereof, (iv) Buyer fails, after one business day's notice, to comply with Paragraph 5 hereof, (v) an Act of Insolvency occurs with respect to Seller or Buyer, (vi) any representation made by Seller or Buyer shall have been incorrect or untrue in any material respect when made or repeated or deemed to have been made or repeated, or (vii) Seller or Buyer shall admit to the other its inability to, or its intention not to, perform any of its obligations hereunder (each an "Event of Default"):

- (a) The nondefaulting party may, at its option (which option shall be deemed to have been exercised immediately upon the occurrence of an Act of Insolvency), declare an Event of Default to have occurred hereunder and, upon the exercise or deemed exercise of such option, the Repurchase Date for each Transaction hereunder shall, if it has not already occurred, be deemed immediately to occur (except that, in the event that the Purchase Date for any Transaction has not yet occurred as of the date of such exercise or deemed exercise, such Transaction shall be deemed immediately canceled). The nondefaulting party shall (except upon the occurrence of an Act of Insolvency) give notice to the defaulting party of the exercise of such option as promptly as practicable.
- (b) In all Transactions in which the defaulting party is acting as Seller, if the nondefaulting party exercises or is deemed to have exercised the option referred to in subparagraph (a) of this Paragraph, (i) the defaulting party's obligations in such Transactions to repurchase all Purchased Securities, at the Repurchase Price therefor on the Repurchase Date determined in accordance with subparagraph (a) of this Paragraph, shall thereupon become immediately due and payable, (ii) all Income paid after such exercise or deemed exercise shall be retained by the nondefaulting party and applied to the aggregate unpaid Repurchase Prices and any other amounts owing by the defaulting party hereunder, and (iii) the defaulting party shall immediately deliver to the nondefaulting party any Purchased Securities subject to such Transactions then in the defaulting party's possession or control.

- (c) In all Transactions in which the defaulting party is acting as Buyer, upon tender by the nondefaulting party of payment of the aggregate Repurchase Prices for all such Transactions, all right, title and interest in and entitlement to all Purchased Securities subject to such Transactions shall be deemed transferred to the nondefaulting party, and the defaulting party shall deliver all such Purchased Securities to the nondefaulting party.
- (d) If the nondefaulting party exercises or is deemed to have exercised the option referred to in subparagraph (a) of this Paragraph, the nondefaulting party, without prior notice to the defaulting party, may:
- (i) as to Transactions in which the defaulting party is acting as Seller, (A) immediately sell, in a recognized market (or otherwise in a commercially reasonable manner) at such price or prices as the nondefaulting party may reasonably deem satisfactory, any or all Purchased Securities subject to such Transactions and apply the proceeds thereof to the aggregate unpaid Repurchase Prices and any other amounts owing by the defaulting party hereunder or (B) in its sole discretion elect, in lieu of selling all or a portion of such Purchased Securities, to give the defaulting party credit for such Purchased Securities in an amount equal to the price therefor on such date, obtained from a generally recognized source or the most recent closing bid quotation from such a source, against the aggregate unpaid Repurchase Prices and any other amounts owing by the defaulting party hereunder; and
  - (ii) as to Transactions in which the defaulting party is acting as Buyer, (A) immediately purchase, in a recognized market (or otherwise in a commercially reasonable manner) at such price or prices as the nondefaulting party may reasonably deem satisfactory, securities ("Replacement Securities") of the same class and amount as any Purchased Securities that are not delivered by the defaulting party to the nondefaulting party as required hereunder or (B) in its sole discretion elect, in lieu of purchasing Replacement Securities, to be deemed to have purchased Replacement Securities at the price therefor on such date, obtained from a generally recognized source or the most recent closing offer quotation from such a source.

Unless otherwise provided in Annex I, the parties acknowledge and agree that (1) the Securities subject to any Transaction hereunder are instruments traded in a recognized market, (2) in the absence of a generally recognized source for prices or bid or offer quotations for any Security, the nondefaulting party may establish the source therefor in its sole discretion and (3) all prices, bids and offers shall be determined together with accrued Income (except to the extent contrary to market practice with respect to the relevant Securities).

- (e) As to Transactions in which the defaulting party is acting as Buyer, the defaulting party shall be liable to the nondefaulting party for any excess of the price paid (or deemed paid) by the nondefaulting party for Replacement Securities over the Repurchase Price for the Purchased Securities replaced thereby and for any amounts payable by the defaulting party under Paragraph 5 hereof or otherwise hereunder.
- (f) For purposes of this Paragraph 11, the Repurchase Price for each Transaction hereunder in respect of which the defaulting party is acting as Buyer shall not increase above the

amount of such Repurchase Price for such Transaction determined as of the date of the exercise or deemed exercise by the nondefaulting party of the option referred to in sub-paragraph (a) of this Paragraph.

- (g) The defaulting party shall be liable to the nondefaulting party for (i) the amount of all reasonable legal or other expenses incurred by the nondefaulting party in connection with or as a result of an Event of Default, (ii) damages in an amount equal to the cost (including all fees, expenses and commissions) of entering into replacement transactions and entering into or terminating hedge transactions in connection with or as a result of an Event of Default, and (iii) any other loss, damage, cost or expense directly arising or resulting from the occurrence of an Event of Default in respect of a Transaction.
- (h) To the extent permitted by applicable law, the defaulting party shall be liable to the non-defaulting party for interest on any amounts owing by the defaulting party hereunder, from the date the defaulting party becomes liable for such amounts hereunder until such amounts are (i) paid in full by the defaulting party or (ii) satisfied in full by the exercise of the nondefaulting party's rights hereunder. Interest on any sum payable by the defaulting party to the nondefaulting party under this Paragraph 11(h) shall be at a rate equal to the greater of the Pricing Rate for the relevant Transaction or the Prime Rate.
- (i) The nondefaulting party shall have, in addition to its rights hereunder, any rights other-wise available to it under any other agreement or applicable law.

## **12. Single Agreement**

Buyer and Seller acknowledge that, and have entered hereinto and will enter into each Transaction hereunder in consideration of and in reliance upon the fact that, all Transactions hereunder constitute a single business and contractual relationship and have been made in consideration of each other. Accordingly, each of Buyer and Seller agrees (i) to perform all of its obligations in respect of each Transaction hereunder, and that a default in the performance of any such obligations shall constitute a default by it in respect of all Transactions hereunder, (ii) that each of them shall be entitled to set off claims and apply property held by them in respect of any Transaction against obligations owing to them in respect of any other Transactions hereunder and (iii) that payments, deliveries and other transfers made by either of them in respect of any Transaction shall be deemed to have been made in consideration of payments, deliveries and other transfers in respect of any other Transactions hereunder, and the obligations to make any such payments, deliveries and other transfers may be applied against each other and netted.

## **13. Notices and Other Communications**

Any and all notices, statements, demands or other communications hereunder may be given by a party to the other by mail, facsimile, telegraph, messenger or otherwise to the address specified in Annex II hereto, or so sent to such party at any other place specified in a notice of change of address hereafter received by the other. All notices, demands and requests hereunder may be made orally, to be confirmed promptly in writing, or by other communication as specified in the preceding sentence.



#### **14. Entire Agreement; Severability**

This Agreement shall supersede any existing agreements between the parties containing general terms and conditions for repurchase transactions. Each provision and agreement herein shall be treated as separate and independent from any other provision or agreement herein and shall be enforceable notwithstanding the unenforceability of any such other provision or agreement.

#### **15. Non-assignability; Termination**

- (a) The rights and obligations of the parties under this Agreement and under any Transaction shall not be assigned by either party without the prior written consent of the other party, and any such assignment without the prior written consent of the other party shall be null and void. Subject to the foregoing, this Agreement and any Transactions shall be binding upon and shall inure to the benefit of the parties and their respective successors and assigns. This Agreement may be terminated by either party upon giving written notice to the other, except that this Agreement shall, notwithstanding such notice, remain applicable to any Transactions then outstanding.
- (b) Subparagraph (a) of this Paragraph 15 shall not preclude a party from assigning, charging or otherwise dealing with all or any part of its interest in any sum payable to it under Paragraph 11 hereof.

#### **16. Governing Law**

This Agreement shall be governed by the laws of the State of New York without giving effect to the conflict of law principles thereof.

#### **17. No Waivers, Etc.**

No express or implied waiver of any Event of Default by either party shall constitute a waiver of any other Event of Default and no exercise of any remedy hereunder by any party shall constitute a waiver of its right to exercise any other remedy hereunder. No modification or waiver of any provision of this Agreement and no consent by any party to a departure herefrom shall be effective unless and until such shall be in writing and duly executed by both of the parties hereto. Without limitation on any of the foregoing, the failure to give a notice pursuant to Paragraph 4(a) or 4(b) hereof will not constitute a waiver of any right to do so at a later date.

#### **18. Use of Employee Plan Assets**

- (a) If assets of an employee benefit plan subject to any provision of the Employee Retirement Income Security Act of 1974 (“ERISA”) are intended to be used by either party hereto (the “Plan Party”) in a Transaction, the Plan Party shall so notify the other party prior to the Transaction. The Plan Party shall represent in writing to the other party that the Transaction does not constitute a prohibited transaction under ERISA or is otherwise exempt therefrom, and the other party may proceed in reliance thereon but shall not be required so to proceed.

10 | September 1996 | Master Repurchase Agreement

- (b) Subject to the last sentence of subparagraph (a) of this Paragraph, any such Transaction shall proceed only if Seller furnishes or has furnished to Buyer its most recent available audited statement of its financial condition and its most recent subsequent unaudited statement of its financial condition.
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- (c) By entering into a Transaction pursuant to this Paragraph, Seller shall be deemed (i) to represent to Buyer that since the date of Seller's latest such financial statements, there has been no material adverse change in Seller's financial condition which Seller has not disclosed to Buyer, and (ii) to agree to provide Buyer with future audited and unaudited statements of its financial condition as they are issued, so long as it is a Seller in any out-standing Transaction involving a Plan Party.

## **19. Intent**

- (a) The parties recognize that each Transaction is a "repurchase agreement" as that term is defined in Section 101 of Title 11 of the United States Code, as amended (except insofar as the type of Securities subject to such Transaction or the term of such Transaction would render such definition inapplicable), and a "securities contract" as that term is defined in Section 741 of Title 11 of the United States Code, as amended (except insofar as the type of assets subject to such Transaction would render such definition inapplicable).
- (b) It is understood that either party's right to liquidate Securities delivered to it in connection with Transactions hereunder or to exercise any other remedies pursuant to Paragraph 11 hereof is a contractual right to liquidate such Transaction as described in Sections 555 and 559 of Title 11 of the United States Code, as amended.
- (c) The parties agree and acknowledge that if a party hereto is an "insured depository institution," as such term is defined in the Federal Deposit Insurance Act, as amended ("FDIA"), then each Transaction hereunder is a "qualified financial contract," as that term is defined in FDIA and any rules, orders or policy statements thereunder (except insofar as the type of assets subject to such Transaction would render such definition inapplicable).
- (d) It is understood that this Agreement constitutes a "netting contract" as defined in and subject to Title IV of the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") and each payment entitlement and payment obligation under any Transaction hereunder shall constitute a "covered contractual payment entitlement" or "covered contractual payment obligation", respectively, as defined in and subject to FDI-CIA (except insofar as one or both of the parties is not a "financial institution" as that term is defined in FDICIA).

## **20. Disclosure Relating to Certain Federal Protections**

The parties acknowledge that they have been advised that:

- (a) in the case of Transactions in which one of the parties is a broker or dealer registered with the Securities and Exchange Commission ("SEC") under Section 15 of the Securities Exchange Act of 1934 ("1934 Act"), the Securities Investor Protection Corporation has

taken the position that the provisions of the Securities Investor Protection Act of 1970 (“SIPA”) do not protect the other party with respect to any Transaction hereunder.

- (b) in the case of Transactions in which one of the parties is a government securities broker or a government securities dealer registered with the SEC under Section 15C of the 1934 Act, SPA will not provide protection to the other party with respect to any Transaction hereunder; and
- (c) in the case of Transactions in which one of the parties is a financial institution, funds held by the financial institution pursuant to a Transaction hereunder are not a deposit and therefore are not insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, as applicable.

[Signature Pages Follow]

COÖPERATIEVE RABOBANK, U.A., NEW YORK BRANCH

By: /s/ Michael J. LaHaie

Name: Michael J. LaHaie

Title: Executive Director

Date: January 31, 2017

By: /s/ Vikram Malkani

Name: Vikram Malkani

Title: Managing Director

Date: January 31, 2017

[SIGNATURE PAGES CONTINUE ON FOLLOWING PAGE]

[Signature Page to 1996 SIFMA Master Repurchase Agreement]

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THE BANK OF TOKYO-MITSUBISHI UFJ, LTD., NEW YORK BRANCH

By: /s/ Terry McKay  
Name: Terry McKay  
Title: Managing Director  
Date: January 31, 2017

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[Signature Page to 1996 SIFMA Master Repurchase Agreement]

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PHI FINANCIAL SERVICES, INC.

By: /s/ Andrew Girardi

Name: Andrew Girardi

Title: President

Date: January 31, 2017

[Signature Page to 1996 SIFMA Master Repurchase Agreement]

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## **Annex I**

### **Supplemental Terms and Conditions**

This Annex I forms a part of the 1996 SIFMA Master Repurchase Agreement dated as of January 31, 2017 (the “SIFMA Master,” and as amended by this Annex I, this or the “Agreement”) among PHI Financial Services, Inc., Coöperatieve Rabobank, U.A., New York Branch (“Rabobank”) and each of the other Buyers from time to time Party thereto. Subject to the provisions of Paragraph 1 of this Annex I, (a) capitalized terms used but not defined in this Annex I shall have the meanings ascribed to them in the SIFMA Master, and (b) aside from this Annex I, including all exhibits and schedules attached hereto and thereto, no other Annexes or Schedules thereto shall form a part of the SIFMA Master or be applicable thereunder.

1. **Applicability; Parties; Framework.**

(a) *Framework Agreement* . This Agreement is being entered into in accordance with that certain Master Framework Agreement, dated as of January 31, 2017 (the “Framework Agreement”), among Seller, each of the “Buyers” thereunder and Rabobank, as agent for the Buyers (the “Agent”). Capitalized terms used but not defined in this Agreement or in any Confirmations shall have the meanings set forth in the Framework Agreement (including Schedule 1 thereto). In the event of any inconsistency between this Agreement and the Framework Agreement, the Framework Agreement shall govern.

(b) *Seller* . PHI Financial Services, Inc. will act as Seller with respect to all Transactions entered into hereunder.

(c) *Buyers* . All references to “Buyer” in this Agreement shall refer collectively to the “Buyers” party to the Framework Agreement, each as represented for purposes of this Agreement by Rabobank, as Agent. Each such Buyer shall be deemed a party to this Agreement, and upon entry into any Transaction, each such Buyer shall acquire an undivided fractional interest in the Purchased Securities for such Transaction (pro-rata in accordance with its Undivided Funding Percentage) in accordance with Section 4.2(b) of the Framework Agreement until such Purchased Securities are repurchased by Seller pursuant to this Agreement (at which point such undivided fractional interests shall be collectively reconveyed to Seller) or otherwise disposed of hereunder. Subject to the terms and conditions of the Framework Agreement, all powers of Buyers hereunder, including the execution and delivery of Confirmations hereunder or any other matters involving consent or discretion, shall be exercised solely by Agent on behalf of such Buyers. The parties agree that any remedies to be exercised against Seller, Guarantor or the Collateral shall be exercised solely through Agent and not by any Buyer individually.

(d) *Securities* . All Securities under this Agreement shall consist of Eligible Farmer Loans. Only Eligible Farmer Loans shall be recognized as Securities for purposes of any Transactions hereunder.

(e) *Entire Agreement* . The first sentence of Paragraph 14 of the SIFMA Master is subject to, and superseded by, Section 9.3 of the Framework Agreement.

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2. **Definitions** .

(a) *Added Definitions* . For purposes of this Agreement, the following additional terms shall have the following meanings:

(i) “Breakage Amount”, with respect to any Breakage Event pertaining to any outstanding Transaction, an amount “X” to be calculated as follows:

$$X = (A - B) * (C - D) * E$$

where:

A refers to the Purchase Price for such Transaction immediately prior to such Breakage Event;

B refers to (x) in the case of a Breakage Event of the type specified in clause (1) of the definition thereof, the Purchase Price for any new Transaction entered into hereunder having a Purchase Date coinciding with the date on which such outstanding Transaction is terminated or (y) in the case of a Breakage Event of the type described in clause (2) of the definition thereof, the excess (if any) of (I) the Purchase Price for such outstanding Transaction immediately prior to such Breakage Event over (II) the amount of cash transferred by Seller to Buyer;

C refers to the Pricing Rate for such terminated Transaction;

D refers to LIBID for the Breakage Period plus 0.75%; and

E refers to the actual number of days in the Breakage Period divided by 360.

(ii) “Breakage Event”, with respect to any Transaction, (1) the termination of such Transaction by Seller before the Repurchase Date specified in the Confirmation for such Transaction in accordance with Paragraph 3(c)(ii) of this Annex I, or (2) the transfer of any cash by Seller to Buyer during the Transaction Period for such Transaction as required pursuant to Paragraph 4(a) of the SIFMA Master, as amended by this Annex I, or as permitted in accordance with Paragraph 4(f) of this Annex I;

(iii) “Breakage Period”, with respect to any Breakage Event, the period commencing on (and including) (x) in the case of a Breakage Event of the type described in clause (1) of the definition thereof, the effective date of Seller’s termination of the applicable Transaction or (y) in the case of a Breakage Event of the type described in clause (2) of the definition thereof, the date on which such cash is transferred by Seller to Buyer, and, in each case, ending on (but excluding) the next succeeding Monthly Date;

(iv) “Framework Agreement”, the meaning set forth in Paragraph 1(a) of this Annex I;

(v) “LIBID”, with respect to any Breakage Period, London Interbank Bid Rate for deposits in U.S. Dollars which appears on the Bloomberg Screen LIBOR Rates Page (or any successor source) as of 11:00 a.m., London time, on the day that is two (2) London Banking Days preceding the first day of such Breakage Period, for a period equal to such Breakage Period; provided,

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that if the Breakage Period is not equal to a period specified on such page, the rate shall be calculated using Linear Interpolation;

(vi) “LIBOR”, with respect to any Transaction Period or Breakage Period, the rate for deposits in U.S. Dollars for a period equal to such Transaction Period or such Breakage Period which appears on the Bloomberg Screen LIBOR Rates Page (or any successor source) as of 11:00 a.m., London time, on the day that is two (2) London Banking Days preceding the first day of the Transaction Period or such Breakage Period; provided that if the Transaction Period or such Breakage Period is not equal to a period specified on such page, the rate shall be calculated using Linear Interpolation; provided, further, that in the event that such rate is not available at such time for any reason, then the LIBOR Rate for such Transaction Period or such Breakage Period shall be the rate at which U.S. Dollar deposits in an amount comparable to the Purchase Price and for a maturity comparable to such Transaction Period or such Breakage Period are offered by the principal London office of Coöperatieve Rabobank, U.A. to leading banks in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, on the day that is two (2) London Banking Days preceding the first day of the Transaction Period or such Breakage Period;

(vii) “Linear Interpolation” means straight-line interpolation by reference to two rates, one of which shall be determined as if the applicable Transaction Period (or Breakage Period, if applicable) were the period of time for which rates are available next shorter than the length of such Transaction Period (or Breakage Period) and the other of which shall be determined as if such Transaction Period (or Breakage Period) were the period of time for which rates are available next longer than the length of such Transaction Period (or Breakage Period); such determinations to be made by Agent;

(viii) “Portfolio Schedule”, the meaning set forth in Paragraph 3(b) of this Annex I;

(ix) “Roll-Over Securities”, with respect to any expiring Transaction, any Purchased Securities under such Transaction which, in lieu of being transferred back to Seller, become Purchased Securities under a new Transaction (as set forth on the Portfolio Schedule for such Transaction) with a Purchase Date coinciding with the Repurchase Date of such expiring Transaction.

(b) *Revised Definitions* . For purposes of this Agreement, and notwithstanding anything in Paragraph 2 of the SIFMA Master to the contrary, the following terms shall have the following amended and restated meanings:

(i) “Buyer’s Margin Amount”, with respect to any Transaction as of any date, the amount obtained by application of the Buyer’s Margin Percentage to the Purchase Price for such Transaction as of such date;

(ii) “Buyer’s Margin Percentage”, with respect to any Transaction as of any date, one hundred and five percent (105%);

(iii) “Defaulted Farmer Loan”, any Eligible Farmer Loan with respect to which an Act of Insolvency has occurred with respect to the applicable Debtor or with respect to which any of the Asset Representations, Warranties or Covenants has been breached;

(iv) “Market Value”, as of any date with respect to the Securities comprising the Transaction Portfolio for an outstanding Transaction, an amount equal to the sum of the Book Values

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of all Eligible Farmer Loans comprising such Transaction Portfolio (as set forth in the applicable Portfolio Schedule) as of such date; provided; that the Book Value of any Defaulted Farmer Loan shall be deemed to be zero;

(v) "Price Differential", with respect to any Transaction as of any date, the sum of the aggregate amount obtained by daily application of the Pricing Rate for such Transaction to the Purchase Price for such Transaction on a 360 day per year basis for the actual number of days during the period commencing on (and including) the Purchase Date for such Transaction and ending on (but excluding) the date of determination (reduced by any amount of such Price Differential previously paid by Seller to Buyer with respect to such Transaction); provided, that upon the occurrence of any Breakage Event with respect to such Transaction, such Price Differential shall be (x) be increased by an amount equal to the absolute value of the applicable Breakage Amount for such Breakage Event if such amount is a positive number or (y) be reduced by an amount equal to the absolute value of the applicable Breakage Amount for such Breakage Event if such Breakage Amount is a negative number, in each case determined as of the date on which such Breakage Event occurs;

(vi) "Pricing Rate", the per annum percentage rate for determination of the Price Differential, determined for each Transaction (unless otherwise specified in the Confirmation) as being equal to the sum of (A) LIBOR as of the applicable Purchase Date plus (B) 0.75%;

(vii) "Repurchase Date", the date on which Seller is to repurchase the Purchased Securities from Buyer, which shall be the earliest of (i) the next Monthly Date immediately succeeding the applicable Purchase Date, (ii) the Facility Expiration Date and (ii) any date determined by application of the provisions of Paragraph 3(c) or 11 of this Annex I; and

(viii) "Repurchase Price", the price at which Purchased Securities are to be transferred from Buyer to Seller upon termination of a Transaction, which will be determined in each case (including Transactions terminable upon demand) as the sum of (A) the Purchase Price for such Transaction plus (B) the accrued and unpaid Price Differential as of the date of such determination (it being understood that all such accrued and unpaid Price Differential shall be payable when and as set forth in Paragraph 12 of this Annex I).

3. **Initiation; Confirmation; Termination.** Notwithstanding anything to the contrary in Paragraph 3 of the SIFMA Master, the following shall apply:

(a) *No Oral Agreements* . All agreements to enter into Transactions hereunder shall be in writing in accordance with Article 4 of the Framework Agreement.

(b) *Confirmations; Priority* . All Confirmations with respect to Transactions hereunder shall be substantially in the form attached as Exhibit A to this Annex I, and shall be accompanied by a schedule substantially in the form attached as Exhibit B to this Annex I (a "Portfolio Schedule") setting forth the Eligible Farmer Loans comprising the Purchased Securities for such Transaction. In the event of any conflict between the terms of a Confirmation and this Agreement, the Confirmation shall prevail.

(c) *Termination* . Paragraph 3(c) of the SIFMA Master is hereby amended and restated as follows:

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“Subject in each case to Section 4.1(c) of the Framework Agreement, Transactions hereunder shall terminate upon the earlier of (i) the date determined pursuant to the definition of Repurchase Date (without regard to this Paragraph 3(c)) or (ii) a date specified upon demand by Seller, which demand shall be made by Seller in writing no later than 5:00 p.m. on the third Business Day prior to the Business Day on which such termination will be effective; provided, that specification of an early termination date pursuant to the foregoing clause (ii) shall be permitted with respect to no more than ten (10) Transactions during the Facility Term (it being understood any specification of an early termination date which is subsequently voided pursuant to Section 4.1(c) of the Framework Agreement shall not be counted towards such maximum). On such earlier date, termination of the Transaction will be effected by transfer to Seller or its agent of the related Purchased Securities (other than any Roll-Over Securities) against the payment of the related Repurchase Price by Seller (which may be netted against the Purchase Price payable in respect of any new Transaction) in accordance with the Framework Agreement.”

(d) *Outstanding Transactions; Continuity* . Notwithstanding anything in this Agreement to the contrary, the Parties agree that no more than one Transaction hereunder shall be outstanding at any given time. It is the intention of the Parties that during the Facility Term, and subject to fulfillment of the applicable conditions set forth in the Framework Agreement with respect to Buyers’ entry into Transactions, the expiration of each Transaction hereunder on the applicable Repurchase Date shall coincide with the entry into a subsequent Transaction with a concurrent Purchase Date in accordance with the procedures set forth in the Framework Agreement. The Parties further intend that, pursuant to Paragraph 12 of the SIFMA Master and to the extent permitted under Paragraph 12 of this Annex I, the Repurchase Price payable by Seller with respect to each such expiring Transaction shall be netted to the extent applicable against the Purchase Price payable by Buyers with respect to such subsequent Transaction.

4. **Margin Maintenance** . Notwithstanding anything to the contrary in Paragraph 4 of the SIFMA Master, the following shall apply:

(a) *Option to Substitute* . In the case of any Margin Deficit with respect to any Transaction, Seller may, in lieu of transferring cash or Additional Purchased Securities in accordance with Paragraph 4(a) of the SIFMA Master, as amended by this Annex I, effect a substitution of Purchased Securities in accordance with Paragraph 9 of the SIFMA Master, as amended by this Annex I, so long as the resulting Market Value of the Purchased Securities (including the substituted Securities) will thereupon exceed the Buyer’s Margin Amount with respect to such Transaction.

(b) *Margin Excess Inapplicable* . The provisions of Paragraph 4(b) of the SIFMA Master shall not apply to Transactions under this Agreement, and all references thereto or to “Margin Excess” in the SIFMA Master shall be disregarded; provided, that in the event the Market Value of any Transaction exceeds the Buyer’s Margin Amount with respect to such Transaction by more than \$10 million, Seller shall be entitled to deliver an amended and restated Portfolio Schedule reflecting a Market Value for such Transaction at least equal to the Buyer’s Margin Amount.

(c) *Margin Deficit Cures* . Paragraph 4(c) of the SIFMA Master is hereby amended and restated in its entirety to read as follows:

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“If any notice is given (or deemed given) by Buyer under subparagraph (a) of this Paragraph, Seller shall transfer cash or Additional Purchased Securities as provided in such subparagraph no later than three Business Days following its receipt (or deemed receipt) of such notice.”

(d) *Evidence of Additional Purchased Securities* . Any transfer of Additional Purchased Securities in accordance with Paragraph 4(a) of the SIFMA Master, as amended by this Annex I, with respect to a Transaction shall be evidenced by an amendment and restatement of the Portfolio Schedule for such Transaction.

(e) *Threshold* . In accordance with Paragraph 4(e) of the SIFMA Master, as amended by this Annex I, the Parties agree that the rights of Buyer under Paragraph 4(a) of the SIFMA Master, as amended by this Annex I, to require the elimination of any Margin Deficit may be exercised only where such Margin Deficit exceeds \$10 million.

(f) *Margin Prepayments* . Seller may, at its discretion in connection with any Transaction, elect to transfer cash to Buyer prior to (and in anticipation of) any Margin Deficit arising or the exercise by Buyer of its rights under Paragraph 4(a) of the SIFMA Master, as amended by this Annex I, and such cash shall be treated for all purposes under this Agreement in the same manner as cash transferred by Seller pursuant to the aforementioned Paragraph 4(a); *provided*, that (i) Seller must provide Buyer with written notice of any such transfer at least three (3) Business Days’ in advance thereof, (ii) the amount to be transferred on any such occasion must be at least \$10 million and (iii) the remaining Purchase Price of the outstanding Transaction after giving effect to any such transfer must be at least \$10 million.

(g) *Treatment of Margin Payments* . For purposes of Paragraph 4(d) of the SIFMA Master, as amended by this Annex I, any cash transferred in respect of Seller’s margin obligations with respect to any Transaction (including any prepayments contemplated by Paragraph 4(f) of this Annex I) shall be applied to reduce the Purchase Price of such Transaction.

(h) *Reporting of Margin Deficits* . Seller shall provide Agent with the notices required pursuant to Section 5.3(o) of the Framework Agreement and, to the extent any such notice relates to a Margin Deficit in excess of the threshold specified in Paragraph 4(e) of this Annex I, Buyer shall be automatically deemed to have delivered a concurrent notice to Seller exercising its rights under Paragraph 4(a) of the SIFMA Master, as amended by this Annex I, to require the elimination of such Margin Deficit.

5. **Income Payments** . Notwithstanding anything to the contrary in Paragraph 5 of the SIFMA Master, unless an Event of Default with respect to Seller shall have occurred and (i) such Event of Default is continuing and (ii) Agent, on behalf of Buyers, has exercised remedies with respect to the Purchased Securities under Paragraph 11(d) of the SIFMA Master, as amended by this Annex I, Seller shall service the Purchased Securities, and be entitled to receive and retain all Income paid or distributed on or in respect of such Securities. All references in this Agreement to Income received by Buyer prior to such an Event of Default shall be disregarded.

6. **Security Interest** . Paragraph 6 of the SIFMA Master is hereby amended and restated in its entirety to read as follows:

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“(a) Seller hereby grants to Agent, for the benefit of the Buyers, a first priority security interest in all of Seller’s right, title and interest in and to all loans identified in the Portfolio Schedule applicable to each Transaction entered into under this Agreement, all rights to payment arising thereunder, all instruments that may from time to time evidence such loans and all rights arising under the loan agreements governing such loans, whether now existing or hereafter arising, and all proceeds thereof (collectively, the “Collateral”), to secure the Seller’s obligations under the Transaction Agreements (the “Secured Obligations”). This Agreement shall create a continuing security interest in the Collateral (notwithstanding any deemed repurchase by Seller under an expiring Transaction and simultaneous deemed purchase by Buyers under a subsequent Transaction of any Roll-Over Securities) and shall remain in full force and effect until such security interest is released pursuant to (and to the extent provided in) Paragraph 6(c) below or until all unpaid Repurchase Price with respect to outstanding Transactions under this Agreement have been indefeasibly paid in full (without application of any set off or netting). Agent (for the benefit of the Buyers) shall have, with respect to all the Collateral, in addition to all other rights and remedies available to Agent (for the benefit of the Buyers) under the Transaction Agreements, all the rights and remedies of a secured party under the Uniform Commercial Code as in effect in any applicable jurisdiction.

(b) Seller hereby authorizes Agent to file such financing statements (and continuation statements with respect to such financing statements when applicable) as may be necessary to perfect the security interest granted pursuant to the foregoing Paragraph 6(a) under the Uniform Commercial Code of the relevant jurisdiction (which financing statements may describe the collateral as “All of Debtor's right, title and interest in and to all loans identified in the schedule (as such schedule is amended and restated from time to time, each a "Portfolio Schedule") applicable to each transaction entered into under the 1996 SIFMA Master Repurchase Agreement dated as of January 31, 2017 (the "Repurchase Agreement"), between Debtor, Coöperatieve Rabobank, U.A., New York Branch and the other Buyers from time to time party thereto, including Annex I thereto (and as amended thereby), all rights to payment arising thereunder, all instruments that may from time to time evidence such loans and all rights arising under the loan agreements governing such loans, whether now existing or hereafter arising, and all proceeds thereof.”).

(c) The security interest granted pursuant to the foregoing Paragraph 6(a) is released by Agent and the Buyers (i) upon payment of the Repurchase Price for any Transaction (including by application of set off or netting in accordance with Paragraph 12 of this Agreement (but subject to Paragraph 12 of Annex I hereto)), without further action by any Person, but solely with respect to the Purchased Securities in respect of such Transaction that are not Roll-Over Securities with respect to such Transaction, and (ii) upon any amendment and restatement of the Portfolio Schedule with respect to a Transaction in accordance with the terms hereof, without further action by any Person, but solely with respect to Purchased Securities previously identified in the existing Portfolio Schedule for such Transaction that are no longer identified in the amended and restated Portfolio Schedule for such Transaction. Agent hereby agrees, at Seller’s expense, to (x) file appropriate financing statement amendments to reflect such release and (y) agree to take such additional actions, as Seller may reasonably request to better evidence such release.”

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7. **Payment and Transfer**. Notwithstanding anything in Paragraph 7 of the SIFMA Master to the contrary, all transfers of Securities by one party to the other party shall be evidenced by the Portfolio Schedule attached to each Confirmation and any amendments thereto made in accordance with this Agreement; it being understood that upon Seller's payment in full of the Repurchase Price with respect to a Transaction on any Repurchase Date (including as a result of netting), all Purchased Securities (other than Roll-Over Securities) shall be automatically deemed to be transferred and assigned from Buyer to Seller without further evidence thereof.

8. **Rehypothecation of Purchased Securities**. Paragraph 8 of the SIFMA Master is hereby amended and restated in its entirety to read as follows:

“Notwithstanding anything herein to the contrary, unless an Event of Default shall have occurred with respect to Seller, Buyer shall be prohibited from engaging in repurchase transactions with the Purchased Securities or other-wise selling, transferring, pledging or hypothecating the Purchased Securities.”

9. **Substitution**. Notwithstanding anything to the contrary in Paragraph 9 of the SIFMA Master, all substitutions of Purchased Securities pursuant to Paragraph 9 of the SIFMA Master, as amended by this Annex I, respect to any Transaction shall be evidenced by an amendment and restatement of the Portfolio Schedule for such Transaction.

10. **Representations**. The representations and warranties of Seller set forth in Paragraph 10 of the SIFMA Master are hereby replaced with the representations and warranties set forth in Section 5.1 of the Framework Agreement. It is acknowledged that Seller is also making the representations and warranties set forth in Section 5.2 of the Framework Agreement with respect to the Purchased Securities.

11. **Events of Default**.

(a) *Replacement Events of Default*. The Events of Default applicable to Seller set forth in Paragraph 11 of the SIFMA Master are hereby replaced with the Events of Default set forth in the definition thereof in the Framework Agreement.

(b) *Remedies*. Paragraph 11(d) of the SIFMA Master is hereby amended and restated in its entirety to read as follows:

“If the nondefaulting party is the Buyer and exercises or is deemed to have exercised the option referred to in subparagraph (a) of this Paragraph, Agent on behalf of the Buyers may, at its discretion and with such notice to the defaulting party as may be required by applicable law, immediately (i) take possession of and any or all Purchased Securities subject to any outstanding Transactions, at its discretion, (ii) subject to the requirements of applicable law, sell any or all such Purchased Securities, at such price or prices as Agent may reasonably deem satisfactory, and apply the proceeds thereof to the aggregate unpaid Repurchase Prices and any other amounts owing by the defaulting party hereunder or under any of the other Transaction Agreements (it being understood, for the avoidance of doubt, that the defaulting party shall remain liable to the nondefaulting party for the excess of such aggregate unpaid Repurchase Prices and other amounts owing over any sale proceeds

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so applied); and (iii) generally exercise any and all rights afforded to a secured party under the Uniform Commercial Code or other applicable law.”

(c) *Replacement Securities Inapplicable* . The provisions of Paragraph 11(e) of the SIFMA Master shall not apply to Transactions under this Agreement, and all references thereto or to “Replacement Securities” shall be disregarded.

12. **Single Agreement** . With respect to any Transaction under this Agreement, and notwithstanding anything in this Agreement to the contrary, the portion of the Repurchase Price for such Transaction consisting of the Price Differential shall, in all circumstances, be paid by Seller by wire transfer of immediately available funds to the account of Agent set forth in Schedule 2 to the Framework Agreement on the Repurchase Date for such Transaction (or, if such Repurchase Date is not a Monthly Date, on the earlier of (i) next succeeding Monthly Date to occur following such Repurchase Date or (ii) the Facility Expiration Date), and such payment of the Price Differential shall not be subject to any setoff, netting or other application by Seller against other amounts, whether pursuant to Paragraph 12 of the SIFMA Master or otherwise.

13. **Miscellaneous** .

(a) *Termination of Agreement* . The last sentence of Paragraph 15(a) of the SIFMA Master is hereby amended and restated to read as follows:

“This Agreement shall terminate on the Facility Expiration Date, except that this Agreement shall, notwithstanding such termination, remain applicable to any Transactions then outstanding.”

(b) *Other Inapplicable Provisions* . Paragraphs 18, 19 and 20 of the SIFMA Master shall not be applicable to Transactions under this Agreement, and all terms and provisions thereof and references thereto shall be disregarded for purposes of this Agreement.

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## MASTER FRAMEWORK AGREEMENT

This MASTER FRAMEWORK AGREEMENT (this “**Framework Agreement**”), is made and entered into as of January 31, 2017 (the “**Effective Date**”), by and among:

Coöperatieve Rabobank, U.A., New York Branch, a Dutch coöperatieve acting through its New York Branch (“**Rabobank**”) and The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, a Japanese banking corporation acting through its New York Branch (“**BTMU**”), as purchasers (collectively, the “**Buyers**”);

Rabobank, as Buyers’ agent (in such capacity, “**Agent**”); and

PHI Financial Services, Inc., an Iowa corporation (“**Seller**”).

Each of Agent, Buyers and Seller may also be referred to herein individually as a “**Party**”, and collectively as the “**Parties**”.

### RECITALS

WHEREAS, Buyers have agreed to provide Seller with a facility under which Buyers and Seller will enter into certain sale and repurchase agreements with respect to Eligible Farmer Loans owned by Seller.

### AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants, agreements and conditions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

#### 1. Interpretation.

1.1 *Definitions* . All capitalized terms used in this Framework Agreement (including its recitals and Schedules) shall, unless defined herein, have the respective meanings set forth in Schedule 1 hereto.

#### 1.2 *Construction* .

(a) The headings, sub-headings and table of contents in this Framework Agreement shall not affect its interpretation. References in this Framework Agreement to Sections and Schedules shall, unless the context otherwise requires, be references to Sections of, and Schedules to, this Framework Agreement.

(b) Words denoting the singular number only shall include the plural number also and vice versa; words denoting one gender only shall include the other genders and words denoting persons shall include firms and corporations and vice versa.

(c) References to a Person are also to its permitted successors or assigns.

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(d) References in this Framework Agreement to any agreement or other document shall be deemed also to refer to such agreement or document as amended or varied or novated from time to time.

(e) References to an amendment include a supplement, novation, restatement or re-enactment and amend and amended (or any of their derivative forms) will be construed accordingly.

(f) Reference to a time of day is a reference to New York City time.

(g) “Include”, “includes” and “including” shall be deemed to be followed by the words “without limitation.”

(h) “Hereof”, “hereto”, “herein” and “hereunder” and words of similar import when used in this Framework Agreement refer to this Framework Agreement as a whole and not to any particular provision of this Framework Agreement.

(i) References to a “writing” or “written” include any text transmitted or made available on paper or through electronic means.

(j) References to “\$”, U.S. Dollars or otherwise to dollar amounts refer to the lawful currency of the United States.

(k) References to a law include any amendment or modification to such law and any rules and regulations issued thereunder, whether such amendment or modification is made, or issuance of such rules and regulations occurs, before or after the Effective Date.

## **2. Transaction Agreements.**

2.1 Agreements to be Executed at the Closing. Concurrently with this Framework Agreement, the Parties intend to execute the following additional agreements (together with this Framework Agreement and each subsequent Confirmation entered into during the Facility Term subsequent to the Closing, the “**Transaction Agreements**”) to which they are party:

- (a) the Master Repurchase Agreement among Seller and the Buyers;
- (b) the Fee Letter among Seller and Buyers;
- (c) the Side Letter between Seller and Agent; and
- (d) the Guaranty.

2.2 Definitions. When used in any Transaction Agreement, capitalized terms not otherwise defined therein will, to the extent defined herein, have the meanings set forth in this Framework Agreement (including Schedule 1).

### 3. Closing; Closing Deliveries .

3.1 Closing . Subject to the terms and conditions of this Framework Agreement, the transactions contemplated in this Framework Agreement to occur concurrently with the execution hereof (other than the entry into any Confirmations) will take place at a closing (the “ **Closing** ”) to be held on the Effective Date at a mutually agreeable location or by the exchange of electronic documentation.

3.2 Seller Closing Deliverables . At the Closing or prior to the Closing, Seller will deliver, or cause to be delivered, to each Buyer:

(a) an executed counterpart to each of the Transaction Agreements (other than any Confirmations) to which it is a party;

(b) an executed counterpart of Guarantor to the Guaranty;

(c) a certificate of the Secretary or an Assistant Secretary of Seller, dated the Effective Date, certifying as to (i) the incumbency of the officers of Seller executing the Transaction Agreements, (ii) attached copies of Seller’s articles of incorporation and bylaws; and (iii) copies of all corporate approvals and consents of Seller that are required by it in connection with entering into, and the exercise of its rights and the performance of its obligations under, the Transaction Agreements;

(d) a certificate of the Secretary or an Assistant Secretary of Guarantor, dated the Effective Date, certifying as to (i) the incumbency of the officer(s) of Guarantor executing the Guaranty, (ii) attached copies of Guarantor’s certificate of incorporation and bylaws; and (iii) copies of all corporate approvals and consents of Guarantor that are required by it in connection with entering into, and the exercise of its rights and the performance of its obligations under, the Guaranty;

(e) a customary legal opinion or opinions with respect to Seller opining on existence, due authorization and execution, absence of conflicts with Organizational Documents and with the Merger Agreement, binding nature of obligations, absence of violations of Law and no consents under Law; and

(f) a customary legal opinion or opinions with respect to Guarantor opining on existence, due authorization and execution, absence of conflicts with Organizational Documents, binding nature of obligations, absence of violations of Law and no consents under Law.

3.3 Buyer Closing Deliverables . At the Closing or prior to the Closing, each Buyer will deliver to Seller and each other Buyer an executed counterpart to each of the Transaction Agreements (other than any Confirmations) to which it is a party.

3.4 Agent Closing Deliverables . At the Closing or prior to the Closing, Agent shall provide to Seller, an executed copy of IRS Form W-8IMY, indicating on Part VI that Agent is a U.S. branch of a foreign bank described in United States Department of Treasury Regulations section

1.1441-1(b)(2)(iv)(A) agreeing to be treated as a U.S. person for purposes of withholding on payments under the Transaction Agreements.

3.5 Seller Initial Transaction Deliverables. On or prior to the Purchase Date for the initial Transaction hereunder, Seller will deliver, or cause to be delivered, to each Buyer:

(a) results of a UCC lien search with respect to Seller for the State of Iowa as of a date not more than seven (7) days prior to the Closing;

(b) fully prepared UCC-1 financing statements reflecting the Security Interests granted by Seller under the Master Repurchase Agreement; and

(c) a customary legal opinion or opinions, in form and substance reasonably satisfactory to Agent, with respect to creation and perfection of security interests.

#### 4. Transactions.

##### 4.1 Requests for Transactions.

(a) *Transaction Notices*. Seller may, from time to time during the Facility Term, deliver a written notice, substantially in the form attached hereto as Exhibit A and including a fully-completed proposed Portfolio Schedule (a “**Transaction Notice**”) to Agent requesting that Buyers enter into a Transaction on a Monthly Date (or, if Seller elects to terminate a Transaction pursuant to Paragraph 3(c)(ii) of Annex I to the Master Repurchase Agreement, on the effective date of such termination). Such notice shall be delivered to Agent not less than four (4) Business Days prior to the proposed Purchase Date for such proposed Transaction (or such later date as may be consented to by Agent, which consent may be conditioned on the consent of the Buyers). Subject to the terms and conditions set forth herein and in the other Transaction Agreements, each Buyer agrees severally, and not jointly, to enter into such Transactions with Seller up to its respective Individual Commitment Amount as of the applicable Purchase Date.

(b) *Confirmation Process*. Within one (1) Business Day of its receipt of a Transaction Notice, Agent shall deliver a fully completed draft Confirmation with respect to the proposed Transaction, attaching the related proposed Portfolio Schedule provided by Seller pursuant to Section 4.1(a). In the event Seller and Agent disagree with respect to any portion of the draft Confirmation or the proposed Portfolio Schedule or in the event Agent determines in good faith that any applicable Transaction Conditions are not, or will not be, satisfied as of the relevant Purchase Date, Seller or Agent (as applicable) shall promptly notify the other of the same, and Seller and Agent shall cooperate expeditiously and in good faith to resolve any such matters (to the extent the same are capable of being resolved). If the applicable Transaction Conditions are (or will be) satisfied as of the applicable Purchase Date, then Agent shall, on behalf of the Buyers and subject to the provisions of Section 4.5, enter into the proposed Transaction with Seller on the terms set forth in the draft Confirmation (as may be modified as agreed between Seller and Agent in accordance with the preceding sentence) by executing and delivering to Seller, on behalf of each such Buyer, a Confirmation evidencing such Transaction in accordance with the Master Repurchase Agreement.

(c) *Failed Closings* . If, on any proposed Purchase Date, the entry into a proposed Transaction on such date would otherwise fail to occur due to:

(i) any failure of Seller and Agent to agree on the Confirmation or the Portfolio Schedule for such proposed Transaction in accordance with the foregoing Section 4.1(b) on or before such proposed Purchase Date;

(ii) any failure as of such proposed Purchase Date of any applicable Transaction Condition to be satisfied with respect to such proposed Transaction;

(iii) any unforeseen circumstance or event, such as a disruption in wire transfers, power or other mechanical or technological failures or interruptions, computer viruses, communications disruptions, work stoppages, natural disasters, fire, war, terrorism, riots, rebellions, or any circumstance beyond the control of the Parties; or

(iv) any other reason (other than the failure of a Deemed Roll-Over Condition to be satisfied);

then, notwithstanding any provision to the contrary in any Transaction Agreement,

(x) if the proposed Purchase Date is not a Monthly Date and any Current Transaction was specified for early termination on such proposed Purchase Date pursuant to Paragraph 3(c)(ii) of Annex I to the Master Repurchase Agreement, then notwithstanding such specification, such Current Transaction shall continue without termination on such proposed Purchase Date and no new Transaction shall be entered into on such proposed Purchase Date, and

(y) if the proposed Purchase Date is a Monthly Date, then so long as the Deemed Roll-Over Conditions are satisfied as of such Monthly Date, and notwithstanding the failure of any Additional Funding Condition or Roll-Over Condition (which condition, in each case, is not also a Deemed Roll-Over Condition) to be satisfied as of such Monthly Date, Seller and Buyers shall be deemed to have entered into a new Roll-Over Transaction (a “ **Deemed Roll-Over Transaction** ”) on such Monthly Date in accordance with Section 4.1(d) below.

(d) *Deemed Roll-Over Transactions* . In the event the Parties are deemed to have entered into a Deemed Roll-Over Transaction on any Monthly Date pursuant to the foregoing Section 4.1(c), such Deemed Roll-Over Transaction shall be deemed to be entered into on the same terms as those set forth in the final form of Confirmation (including the Portfolio Schedule thereto) governing the Transaction expiring on such Monthly Date, subject to the following modifications:

(A) the Purchase Date shall be the applicable Monthly Date on which such Deemed Roll-Over Transaction is deemed to have been entered into, and the applicable Pricing Rate shall be updated accordingly;

(B) the Repurchase Date shall be the earlier of the Facility Expiration Date or the next applicable Monthly Date following the Purchase Date;

(C) the Portfolio Schedule applicable to the Deemed Roll-Over Transaction shall be: (i) in the event Seller has delivered to Agent a Portfolio Schedule by such Purchase Date designated for use in connection with entry into a Transaction on such Purchase Date and which satisfies clauses (vi) through (ix) of Section 4.3(a), such delivered Portfolio Schedule; and (ii) otherwise, the Portfolio Schedule for the prior Transaction expiring on such Monthly Date (the Portfolio Schedule described in this clause (ii), a “**Roll-Over Portfolio Schedule**”);

(D) if the Purchase Price set forth in the Confirmation for the expiring Transaction exceeds the Aggregate Commitment Amount applicable to such Deemed Roll-Over Transaction, the Purchase Price for such Deemed Roll-Over Transaction shall be reduced so as to be equal to such applicable Aggregate Commitment Amount, and Seller shall pay to Agent for the account of the Buyers any Funded Repurchase Price required to be paid by it as a result of such reduction; and

(E) in addition to any Funded Repurchase Price required to be paid by Seller on such Monthly Date in accordance with the terms hereof, Seller may, at its election, pay to Agent for the account of the Buyers an additional amount by wire transfer of immediately available funds to the account of Agent specified in Schedule 2 by or before 5:00 p.m. on such Monthly Date, which additional payment shall (i) reduce the Purchase Price for such Deemed Roll-Over Transaction and (ii) be treated as the payment of additional Funded Repurchase Price for all purposes hereunder and under the other Transaction Agreements; provided, that the Price Differential through the first two (2) Business Days of the Transaction Period for such Deemed Roll-Over Transaction shall be calculated as though the corresponding reduction of Purchase Price did not occur.

Promptly after entry into any Deemed Roll-Over Transaction, Seller and Agent shall cooperate expeditiously and in good faith to prepare, execute and deliver a Confirmation and Portfolio Schedule which, if treated as having been delivered in a timely manner in connection with a proposed Roll-Over Transaction to be entered into on the Purchase Date for such Deemed Roll-Over Transaction, would satisfy the applicable Roll-Over Conditions (excluding the condition described in Section 4.3(a)(iii), which need not be satisfied for purposes of this paragraph) as of such Purchase Date, to evidence and definitively document such Deemed Roll-Over Transaction, with the terms of such Confirmation, and if applicable, updated Portfolio Schedule, amending, restating and superseding any deemed terms specified in the preceding sentence as of the applicable Purchase Date, notwithstanding such later execution and delivery of such definitive documentation.

#### 4.2 Funding of Transaction Purchase Prices.

(a) *Funding Notices*. In the event Agent receives a Transaction Notice for a proposed Transaction in accordance with Section 4.1(a), Agent shall deliver to each other Buyer a written notice concerning such Transaction (a “**Funding Notice**”) not later than 10:00 a.m. on the date that is two (2) Business Days prior to the date of the proposed Transaction. Such notice shall (i) set forth the Purchase Date for the proposed Transaction, the amount of any Funded Purchase Price anticipated to be paid or Funded Repurchase Price anticipated to be received in connection with such Transaction, any Funding Amount payable by or Distribution Amount anticipated to be

distributed to each Buyer in connection with the Transaction, any adjustments and related calculations made pursuant to Section 4.5 and the anticipated Aggregate Buyer Balance after giving effect to such Transaction, and (ii) be accompanied by a copy of the substantially final form of Confirmation to be entered into in connection with such Transaction.

(b) *Funding of Purchase Prices* . Following receipt of any Funding Notice concerning a proposed Transaction, each Buyer shall fund its respective Funding Amount (if any) for such proposed Transaction by wire transfer of immediately available funds to the account of Agent specified in Schedule 2 no later than 11:00 a.m. on the Purchase Date for such Transaction (or such later time as Agent may determine with the consent of Seller (such consent not to be unreasonably withheld so long as the Funded Purchase Price is received for value on such Purchase Date)). Agent shall, subject to satisfaction of the Additional Funding Conditions, use such funds to pay the Funded Purchase Price for the Transaction on behalf of each of the Buyers in accordance with terms of the Master Repurchase Agreement and applicable Confirmation, upon which Seller will sell and assign, and Buyers will purchase, the Transaction Portfolio for such Transaction, with each Buyer receiving a fractional undivided interest in such Transaction Portfolio in accordance with its respective Undivided Funding Percentage as of the time of such purchase (after giving effect to the funding of such Funding Amounts and payment of such Funded Purchase Price). The closing of such Transaction and payment of such Funded Purchase Price shall occur at 12:00 noon on the Purchase Date (or such later time on such Purchase Date as Agent may determine with the consent of Seller (such consent not to be unreasonably withheld for so long as the Funded Purchase Price is received for value on such Purchase Date)).

(c) *Advance Payment of Funded Purchase Price* . Notwithstanding the provisions of Section 4.2(b) above, Agent may, at its sole discretion, on any Purchase Date for a Transaction in respect of which it anticipates receiving Funding Amounts from Buyers, transfer in advance any Funded Purchase Price anticipated to be payable in respect of such Transaction to Seller on such Purchase Date prior to Agent's actual receipt of such Funding Amounts; provided, that if Agent does not receive all such Funding Amounts from Buyers by or before 5:00 p.m. on such Purchase Date, then subject to and in accordance with Section 4.5(a)(iii), Seller and each applicable Defaulting Buyer severally agree to pay to Agent forthwith on demand the amount of Funded Purchase Price transferred in advance corresponding to the Funding Amounts not received, with interest thereon at a rate reasonably determined by Agent in accordance with banking industry rules on interbank compensation.

(d) *Return of Excess Funding Amounts* . In the event any Buyer has funded its respective Funding Amount on any proposed Purchase Date for an Additional Funding Transaction in accordance with Section 4.2(b), and either (i) Seller and Buyers fail to enter into such Additional Funding Transaction on such proposed Purchase Date or (ii) Seller and Buyers enter into an Additional Funding Transaction on such Purchase Date with respect to which less than all of the amount funded by such Buyer is actually applied to the payment of Funded Purchase Price on such Purchase Date, then Agent shall, promptly following either such event, refund to such Buyer the unused portion of such funded amount.

#### 4.3 Transaction Conditions .

(a) The obligation of Buyers to enter into any Additional Funding Transaction shall be subject to satisfaction of the following conditions (in each case, as of the Purchase Date) (together, the “***Additional Funding Conditions***”):

(i) with respect to the initial Transaction, each of the items required to be delivered by Seller in connection with such initial Transaction pursuant to Section 3.5 shall have been delivered in accordance with the terms hereof;

(ii) all amounts then due and owing by Seller under the Fee Letter and the Side Letter shall have been paid in full;

(iii) the Transaction Notice, including the proposed Portfolio Schedule required to be attached thereto, shall have been delivered to Agent in accordance with Section 4.1;

(iv) Seller shall have delivered to Agent a duly executed counterpart to the applicable Confirmation;

(v) each of the representations and warranties of Seller and Guarantor (as applicable) set forth in the Transaction Agreements (excluding any representations or warranties set forth in the Asset Representations, Warranties and Covenants) shall be true and correct in all material respects;

(vi) the aggregate Market Value of the Transaction Portfolio for such Transaction (as set forth in the Portfolio Schedule to the Confirmation provided by Seller) shall be equal to or greater than 105% of the Purchase Price for such Transaction;

(vii) all of the loans included in the Transaction Portfolio for such Transaction (as set forth in the Portfolio Schedule to the Confirmation provided by Seller) shall be Eligible Farmer Loans;

(viii) the Weighted Average CBR Score with respect to the Transaction Portfolio for such Transaction shall be equal to or greater than 675;

(ix) no less than seventy percent (70%) of the Eligible Farmer Loans comprising the Transaction Portfolio for such Transaction (based on their respective Book Values) shall have been made to Debtors that are natural persons;

(x) the Purchase Date for such Transaction shall be at least 10 days prior to the Facility Expiration Date;

(xi) the payment of the proposed Purchase Price would not cause (x) the Aggregate Buyer Balance (after giving effect to such payment) to exceed the Aggregate Commitment Amount applicable to such Transaction or (y) any Buyer's Individual Buyer Balance (after giving effect to such payment) to exceed such Buyer's applicable Individual Commitment Amount with respect to such Transaction;

(xii) no Potential Event of Default or Event of Default shall have occurred and be continuing which has not been waived; and

(xiii) no “Event of Default” shall have occurred and be continuing under the Revolver which has not been waived.

(b) The obligation of Buyers to enter into any Roll-Over Transaction (other than a Deemed Roll-Over Transaction) shall be subject to satisfaction of the following conditions (in each case, as of the Purchase Date) (together, the “ **Roll-Over Conditions** ”):

(i) each of the conditions set forth in clauses (iii), (iv), and (vi) through (xi) of Section 4.3(a) shall have been satisfied; and

(ii) no Event of Default shall have occurred and be continuing which has not been waived.

(c) The deemed entry by Buyers into any Deemed Roll-Over Transaction shall be subject to satisfaction of the following conditions (in each case, as of the Purchase Date) (together, the “ **Deemed Roll-Over Conditions** ”):

(i) the aggregate Market Value of the Transaction Portfolio for such Deemed Roll-Over Transaction (as set forth in the applicable Portfolio Schedule for such Deemed Roll-Over Transaction determined in accordance with Section 4.1(d)(C)) shall be equal to or greater than (x) 100% of the Purchase Price for such Transaction, if the applicable Portfolio Schedule for such Deemed Roll-Over Transaction is a Roll-Over Portfolio Schedule, or (y) 105% of the Purchase Price for such Transaction, in all other cases;

(ii) each of the conditions set forth in clauses (vii) through (xi) of Section 4.3(a), as applied *mutatis mutandis* to the applicable terms of such Deemed Roll-Over Transaction and to the Transaction Portfolio set forth on the Portfolio Schedule for such Deemed Roll-Over Transaction, shall have been satisfied;

(iii) if the prior Transaction expiring on such Purchase Date is a Deemed Roll-Over Transaction, Seller shall have executed and delivered definitive documentation evidencing such prior Deemed Roll-Over Transaction in accordance with the last sentence of Section 4.1(d) on or before the Business Day immediately preceding such Purchase Date; and

(iv) no Event of Default shall have occurred and be continuing which has not been waived.

#### 4.4 Funding of Transaction Repurchase Prices.

(a) *Seller’s Payment of Funded Repurchase Price* . On each Repurchase Date for a Transaction on which Funded Repurchase Price (other than Funded Repurchase Price on account of accrued but unpaid Price Differential) is payable by Seller pursuant to the Transaction Agreements (including, for the avoidance of doubt, on the Facility Expiration Date and the Commitment Reduction Date), Seller shall fund the Funded Repurchase Price for such Transaction



by wire transfer of immediately available funds to the account of Agent specified in Schedule 2, no later than 5:00 p.m. on such Repurchase Date (or such later time as Seller may determine with the consent of Agent (such consent not to be unreasonably withheld so long as such Funded Repurchase Price is received for value on such Repurchase Date)).

(b) *Distribution of Amounts Received by Agent* . On any Business Day when Agent receives any Funded Repurchase Price or Margin Payment from Seller for any Transaction, Agent shall distribute to each Buyer such Buyer's Distribution Amount in respect of such Funded Repurchase Price or Margin Payment by wire transfer of immediately available funds to the account of such Buyer set forth on Schedule 2 hereto (i) on the same Business Day if such Funded Repurchase Price or Margin Payment is received from Seller prior to 2:00 p.m. on such Business Day or (ii) otherwise, on the next succeeding Business Day.

(c) *Advances of Funded Repurchase Price* . Notwithstanding the foregoing Section 4.4(b), Agent may, at its discretion, on any Repurchase Date when it anticipates receiving any Funded Repurchase Price from Seller, transfer in advance to each Buyer its anticipated Distribution Amount in respect of such anticipated Funded Repurchase Price on such Repurchase Date prior to Agent's actual receipt of such Funded Repurchase Price; provided, that if Agent does not receive such Funded Repurchase Price from Seller by 5:00 p.m. on such Repurchase Date, each Buyer shall be required to promptly refund to Agent any such anticipated Distribution Amounts transferred in advance.

#### 4.5 Defaulting Buyers.

(a) *Adjustment for Reduced Funding*. Notwithstanding anything in this Article IV to the contrary, in the event that, on any Purchase Date on which Agent has entered into, or is obligated to enter into, an Additional Funding Transaction with respect to which any Funded Purchase Price is to be paid in accordance with Section 4.2(b), one or more Buyers (any such Buyer, a “**Defaulting Buyer**”) fails to fund its respective Funding Amount on such Purchase Date when and as required by Section 4.2(b), then Agent shall promptly give notice of such failure to Seller and each other Buyer. Upon Agent's giving of such notice:

(i) the Confirmation for such Additional Funding Transaction shall be amended (or, if already executed and delivered by Seller prior to Agent's giving of such notice, shall be deemed to have been amended) so as to reduce the Purchase Price for such Additional Funding Transaction by the applicable Funding Amounts such Defaulting Buyers have failed to fund;

(ii) when and as required pursuant to Section 4.2(b), and subject to the satisfaction of the Additional Funding Conditions otherwise applicable to such Additional Funding Transaction, Agent shall pay to Seller, on behalf of the Buyers (other than the Defaulting Buyer), any remaining unpaid Funded Purchase Price payable in respect of such Additional Funding Transaction (after giving effect to the reduction in Purchase Price pursuant to the foregoing Section 4.5(a)(i));

(iii) to the extent Agent has advanced any amounts to Seller pursuant to Section 4.2(c) on such Purchase Date in excess of the Funded Purchase Price payable in respect of such Additional Funding Transaction (after giving effect to the reduction in Purchase Price pursuant to the foregoing Section 4.5(a)(i)), Seller shall refund any such excess when and as required pursuant to Section accordance with Section 4.2(c);

(iv) following such Purchase Date, Seller shall be entitled to exercise its rights under Paragraph 4(b) of Annex I to the Master Repurchase Agreement to address the excess Market Value of the Transaction Portfolio which may result from the failure of such Defaulting Buyer to fund.

(b) *Replacement of Buyers* . Seller may, at its sole expense and effort, upon notice to any Defaulting Buyer and Agent, require such Defaulting Buyer to assign, without recourse, all of its rights and obligations under the Transaction Agreements (including its Individual Buyer Balance, Individual Commitment Amount and any undivided fractional interest it may own with respect to any Transaction Portfolio) to one or more existing Buyers or new Buyers that is willing to assume such obligations; provided that (i) Seller shall have received the prior written consent of Agent with respect to any new Buyer, which consent shall not unreasonably be withheld, (ii) such Defaulting Buyer shall have received payment of an amount equal to its Individual Buyer Balance and accrued and unpaid Price Differential, fees and all other amounts payable to it under the Transaction Agreements (which may be paid by the applicable assignee and/or by Seller) and (iii) such assignment does not conflict with applicable Law. No Buyer shall be required to make any such assignment if prior thereto, such Buyer shall have ceased to be a Defaulting Buyer in accordance with Section 4.5(c). Each Party agrees that an assignment required pursuant to this Section 4.5(b) may be effected pursuant to assignment documentation executed by Seller, Agent and the assignee and that the Defaulting Buyer required to make such assignment need not be a party thereto. In connection with any such assignment, each assignee of the Defaulting Buyer agrees to purchase (at par) Individual Buyer Balances of other non-Defaulting Buyers (together with corresponding portions of such other non-Defaulting Buyers' undivided fractional interests in any Transaction Portfolio) as Agent may determine necessary to cause each non-Defaulting Buyer's Undivided Funding Percentage in connection with the applicable Current Transaction to equal its Undivided Commitment Percentage with respect to such Current Transaction (in each case, after giving effect to such assignment and with such adjustments as Agent may deem appropriate to take into account any Buyers that remain Defaulting Buyers).

(c) *Reinstatement of Defaulting Buyers* . In the event that Agent and Seller agree that a Defaulting Buyer has adequately remedied all matters that caused such Buyer to be a Defaulting Buyer, then such Buyer shall cease to be a Defaulting Buyer for all purposes hereof. In connection with any such reinstatement of a Defaulting Buyer, such Defaulting Buyer agrees to purchase (at par) Individual Buyer Balances of other non-Defaulting Buyers as Agent may determine necessary to cause each non-Defaulting Buyer's Undivided Funding Percentage in connection with the applicable Current Transaction to equal its Undivided Commitment Percentage with respect to such Current Transaction (in each case, after giving effect to such reinstatement and with such adjustments as Agent may deem appropriate to take into account any Buyers that remain Defaulting Buyers).

(d) *Replacement of Agent.* In the event that Agent or any Affiliate thereof is a Defaulting Buyer, Buyers having more than 50% of the aggregate amount of Individual Commitment Amounts of all Buyers (excluding all Individual Commitment Amounts or Individual Buyer Balances of any Defaulting Buyer) may, to the extent permitted by applicable law, by notice in writing to Seller and Agent, remove Agent in its capacity as such, and subject to Seller's approval (not to be unreasonably withheld), appoint a successor. Upon the acceptance of its appointment as Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the removed Agent and the removed Agent shall be discharged from its duties and obligations hereunder and under the other Transaction Agreements. The fees payable by Seller to a successor Agent shall be the same as those payable to its predecessor unless otherwise agreed between Seller and such successor. Removed Agent agrees to execute such additional documents and perform such further acts as may be reasonably required or desirable to carry out or perform the foregoing provisions of this Section; *provided* that, to the extent removed Agent fails to promptly execute such additional documents and or to perform such further acts, successor Agent may, on behalf of removed Agent, execute such additional documents or perform such further acts.

(e) *Calculations.* All calculations with respect to adjustments in the Undivided Commitment Percentages and Undivided Funding Percentages of, Funding Amounts owed by, or Distribution Amounts payable to, any Buyers resulting from any Buyer becoming a Defaulting Buyer or any actions taken by Agent pursuant to this Section 4.5 shall be made by Agent and communicated to Buyers in appropriate Funding Notices or other written notices (in all cases, with copies to Seller).

## **5. Representations and Warranties; Certain Covenants.**

5.1 Representations and Warranties of Seller. Seller represents to Agent and each Buyer that:

(a) *Organization and Authority.* Seller is a corporation duly organized, validly existing, and in good standing under the Laws of the state of Iowa. Seller has full corporate power and authority to enter into the Transaction Agreements to which it is a party, to carry out its obligations thereunder, and to consummate the transactions contemplated thereby. The execution and delivery by Seller of the Transaction Agreements to which it is a party and the performance by Seller of its obligations thereunder have been duly authorized by all requisite corporate action on the part of Seller. The Transaction Agreements to which Seller is a party have been duly executed and delivered by Seller, and (assuming due authorization, execution, and delivery by each other Party) the Transaction Agreements to which Seller is a party constitute a legal, valid, and binding obligation of Seller enforceable against Seller in accordance with their terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar Laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity.

(b) *No Conflicts; Consents.* The execution, delivery and performance by Seller of each of the Transaction Agreements and the consummation of the transactions contemplated by the Transaction Agreements do not and will not: (A) conflict with or result in a violation or breach of, or default under, any provision of the Organizational Documents of Seller; (B) conflict with or

result in a violation or breach of any provision of any Law or Governmental Order applicable to Seller except as would not reasonably be expected to have a Material Adverse Effect; or (C) require the consent, notice or other action by any Person pursuant to, or result in a default or event of default under, any Contract to which Seller is a party, except: (1) as expressly set forth in the applicable Transaction Agreement, (2) as shall have been obtained by Seller as of the Effective Date or (3) as would not reasonably be expected to have a Material Adverse Effect. No consent, approval, Permit, Governmental Order, declaration or filing with, or notice to, any Governmental Authority is required by or with respect to Seller in connection with the execution and delivery of the Transaction Agreements and the consummation of the transactions contemplated by the Transaction Agreements except as shall have been obtained by Seller or except as would not reasonably be expected to have a Material Adverse Effect.

(c) *Legal Proceedings* . There are no Actions pending or, to Seller's knowledge, threatened against or by Seller or any Affiliate of Seller that challenge or seek to prevent, enjoin, or otherwise delay the transactions contemplated by the Transaction Agreements.

(d) *Compliance with Laws* . Seller is in compliance with all applicable Laws in connection with the performance of obligations or exercise of rights under the Transaction Agreements, except where the failure to be so would not reasonably be expected to have a Material Adverse Effect.

(e) *No Defaults* . No Event of Default under this Framework Agreement has occurred and is continuing that has not been waived. Except as disclosed to Agent, no Potential Event of Default under this Framework Agreement has occurred and is continuing that has not been waived.

5.2 Asset Representations and Warranties . Seller represents or covenants, as applicable, to Agent and each Buyer with respect to each Eligible Farmer Loan included in the Transaction Portfolio for any outstanding Transaction that:

(a) *Accuracy of Information* . The information regarding such Eligible Farmer Loan set forth on the Portfolio Schedule to the Confirmation for such Transaction (as corrected in accordance with Section 4.1(d), in the case of any Deemed Roll-Over Transaction) is true and correct in all material respects as of the Purchase Date for such Transaction.

(b) *Form of Loan Agreement* . The Loan Agreement for such Eligible Farmer Loan is substantially in the form of one of the Deferred Payment Loan Agreements attached to Schedule 3 hereto or any other form of Loan Agreement provided to and deemed satisfactory by Agent.

(c) *Enforceability* . Such Eligible Farmer Loan and related Loan Agreement has been duly authorized, executed and delivered by all parties thereto, and constitutes a legal, valid, and binding obligation of each such party enforceable against such party in accordance with its terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar Laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity.

(d) *No Conflicts; Consents* . The execution, delivery and performance by Seller and each applicable Debtor under such Eligible Farmer Loan of the Loan Agreement and the consummation of the transactions contemplated thereby do not and will not conflict with or result in a violation or breach of any provision of any Law or Governmental Order applicable to Seller except as would not reasonably be expected to have a Material Adverse Effect, and no consent, approval, Permit, Governmental Order, declaration or filing with, or notice to, any Governmental Authority is required by or with respect to Seller or any Affiliate of Seller in connection with the execution and delivery of the Loan Agreement and the consummation of the transactions contemplated thereby except as shall have been obtained by Seller or such Affiliate as of the date of such Loan Agreement or except as would not reasonably be expected to have a Material Adverse Effect.

(e) *No Modifications* . Except in accordance with its ordinary servicing practices (so long as the related modification, alteration or amendment would not (i) cause such loan to cease to be an Eligible Farmer Loan, (ii) breach any of the other Asset Representations, Warranties and Covenants, (iii) reduce the amount payable under the Eligible Farmer Loan (other than as a result of a prepayment), (iv) extend the stated maturity date of such Eligible Farmer Loan or (v) reasonably be expected to have a Material Adverse Effect) or as consented to by Agent, Seller is not a party to any Contract or other legally binding arrangement with any Debtor in relation to such Eligible Farmer Loan that modifies, alters or amends any of the terms in the related Loan Agreement.

(f) *Compliance with Laws* .

(i) Seller and its Affiliates are in compliance with all applicable Laws with respect to the making of such Eligible Farmer Loan (including all applicable “know your customer” Laws), except where the failure to be so would not reasonably be expected to have a Material Adverse Effect.

(ii) None of Seller, any of its Subsidiaries or, to the knowledge of Seller, any Affiliate of Seller or any director, officer, agent or other person acting on behalf of Seller or any of its Subsidiaries (i) is a Sanctioned Person, (ii) transacts with, or has any investments in, any Sanctioned Country or Sanctioned Person or (iii) is the subject of any action or investigation under any Sanctions Laws or Anti-Money Laundering Laws.

(iii) None of Seller, any of its Subsidiaries nor, to the knowledge of Seller, any director, officer, agent or other person acting on behalf of Seller or any of its Subsidiaries has taken any action, directly or indirectly, that would result in a violation by such persons of Anti-Corruption Laws; and Seller has instituted and maintains policies and procedures designed to ensure continued compliance therewith.

(g) *Legal Proceedings* . There is no Action pending or, to the knowledge of Seller, threatened against Seller relating to such Eligible Farmer Loan or which seeks the issuance of an order restraining, enjoining or otherwise prohibiting or making illegal the consummation of any of the transactions contemplated by the Loan Agreement, except as would not reasonably be expected to have a Material Adverse Effect.

(h) *Segregation of Eligible Farmer Loans* . All Eligible Farmer Loans included in the Portfolio Schedule for the Current Transaction that are in the possession of Seller shall be segregated from other securities in its possession and shall be identified as subject to the Transaction Agreements. Segregation may be accomplished by appropriate identification on the books and records of Seller.

5.3 Certain Covenants. Seller covenants with Agent and each Buyer as follows:

(a) *Taxes* . Subject to the provisions of Section 6.8 and the provision by each Buyer of any relevant IRS forms and related documentation confirming its exemption from withholding Taxes, Seller will pay all relevant Taxes and make all relevant returns in respect of Taxes in relation to any Purchased Securities and Seller shall indemnify and hold each Buyer harmless from and against any such Taxes. Without limiting the generality of the foregoing, Seller shall remit all Direct Taxes to the applicable Governmental Authority relating to the Purchased Securities as and when due and Seller shall indemnify and hold Buyer harmless from and against any such Taxes.

(b) *Performance of Loan Agreements* . Seller shall perform and comply with each Loan Agreement governing an Eligible Farmer Loan included in the Transaction Portfolio for the Current Transaction in such a way as would not (or would not reasonably be expected to) materially affect the entitlement and/or ability to receive and/or to recover and/or enforce and/or collect payment of the full amount of such Eligible Farmer Loan, and the exercise by Agent of its rights under this Framework Agreement and the other Transaction Agreements shall not relieve Seller of such obligations.

(c) *Indemnification* . Seller will indemnify and keep indemnified Agent, each Buyer, their Affiliates, and their respective officers, directors, employees and agents and their successors and assigns (each, an “ **Indemnified Party** ”) against any cost, claim, loss, expense, liability or damages (including reasonable legal costs and out-of-pocket expenses) arising out of or involving a claim or demand made by any Person (other than by Seller, any of its Affiliates or any Indemnified Party) against such Indemnified Party (each a “ **Claim** ”) and incurred or suffered by it in connection with:

(i) any representation or warranty made by Seller under or in connection with any Transaction Agreement (including with respect to any Portfolio Schedule delivered by Seller pursuant hereto) that shall have been false or incorrect when made or deemed made (without regard to any knowledge, materiality or Material Adverse Effect qualifiers contained therein);

(ii) the failure by Seller, to comply with any applicable Law with respect to any Eligible Farmer Loan included in any Transaction Portfolio, or the nonconformity of any such Eligible Farmer Loan included therein or any related Contract with any such applicable Law, rule or regulation or any failure of Seller to keep or perform any of its obligations, express or implied, with respect to any Contract;

(iii) any failure of Seller to perform its duties, covenants or other obligations in accordance with the provisions of any Transaction Agreement;

(iv) any products liability, personal injury or damage, suit or other similar claim arising out of or in connection with merchandise, insurance or services that are the subject of any Eligible Farmer Loan in which any Indemnified Party becomes involved as a result of any of the Transactions contemplated hereby;

(v) any investigation, litigation or proceeding related to or arising from any Transaction Agreement, the Transactions contemplated hereby, Seller's use of the proceeds of such Transactions, the ownership of the Eligible Farmer Loans originated by Seller or any other investigation, litigation or proceeding relating to Seller in which any Indemnified Party becomes involved as a result of any of the Transactions contemplated hereby;

(vi) any action or omission by Seller which reduces or impairs the rights of Buyer with respect to any Eligible Farmer Loan or the value of any such Eligible Farmer Loan; and

(vii) any civil penalty or fine assessed by OFAC or any other Governmental Authority administering any Sanctions Law or Anti-Money Laundering Law against, and all reasonable costs and expenses (including counsel fees and disbursements) incurred in connection with defense thereof by any Buyer as a result of any action of Seller;

provided, that notwithstanding the foregoing, in no event shall Seller be liable hereunder to any Indemnified Party or any other Person for (A) any special, indirect, consequential or punitive damages, even if Seller has been advised of the likelihood of such loss or damage and regardless of the form of action or (B) Claims to the extent arising from any Indemnified Party's breach, bad faith, gross negligence or willful misconduct.

(d) *Approvals and Filings* . Except as would not (or would not reasonably be expected to) materially affect the entitlement and/or ability to receive and/or to recover and/or enforce and/or collect payment of the full amount in the Eligible Farmer Loans, Seller shall maintain such Permits and make such filings, registrations and submissions as are necessary or advisable for the performance of its obligations under the Loan Agreements relating to the Eligible Farmer Loans.

(e) *Books and Records* . Seller shall keep all its books, records and documents evidencing or relating to the Eligible Farmer Loans in accordance with its practice and procedures from time to time. Seller shall, but only upon Agent's reasonable request in advance of the same, during normal business hours at reasonably accessible offices in the continental United States designated by Seller, and subject to Seller's normal security and confidentiality procedures, permit Agent or any of its agents or representatives to examine and make copies of and abstracts from the records, books of account and documents (including computer tapes and disks) of Seller, visit the properties of Seller for the purpose of examining or obtaining access to such records, books of account and documents, and discuss the affairs, finances and accounts of Seller relating to the

Eligible Farmer Loans with any of its officers, and Seller shall be obligated to reimburse Agent for the costs and expenses of one such examination during the Facility Term.

(f) *No Sales, Liens* . Seller (i) shall not sell, assign or grant any Security Interest on or otherwise encumber any Eligible Farmer Loan subject to a Transaction or any Loan Agreement under which such Eligible Farmer Loan arises except as expressly contemplated by the Transaction Agreements, (ii) shall not permit any Security Interest to exist on or with respect to, any such Eligible Farmer Loan or Loan Agreement except as expressly contemplated by the Transaction Agreements, and (iii) will defend the right, title and interest of the Buyers in, to and under any of the foregoing.

(g) *No Waivers, Amendments* . Except to the extent arising in the ordinary course of business and except as required by Section 5.3(h), Seller shall not (x) cancel, terminate, amend, modify or waive any term or condition of any Loan Agreement for an Eligible Farmer Loan subject to a Transaction (including reducing the amount of such Eligible Farmer Loan) or (y) take any other action that, in each case, may materially affect any entitlement and/or ability to receive and/or recover and/or enforce and/or collect payment in full of the full amount of the Eligible Farmer Loan, or otherwise prejudice any Buyer's interest in any Eligible Farmer Loan in any material respect.

(h) *Ordinary Course* . Seller shall follow its credit and collection procedures with respect to the Eligible Farmer Loans in accordance with its ordinary course of dealing as in effect from time to time without regard to the Transactions contemplated hereby, and shall use the same standards it would follow with respect to Eligible Farmer Loans which are owned by Seller.

(i) *Notice of Certain Events* . Seller shall provide Agent with prompt notice upon becoming aware of (x) any Event of Default or Potential Event of Default or (y) any Change of Control with respect to Seller or Guarantor.

(j) *Changes in Credit and Collection Procedures* . Seller shall provide Agent with prompt notice, and in all instances at least sixty (60) days prior to the effectiveness of any material change in or material amendment to the credit and collection procedures (other than any such change or amendment required by applicable Law, in which case Seller shall provide notice to Agent of such change or amendment as promptly as practicable), a copy of the credit and collection procedures then in effect and a notice indicating such proposed change or amendment.

(k) *Information Required by Governmental Authorities* . Subject to applicable Laws prohibiting or limiting such disclosure or provision of such information, documents, records or reports, Seller shall provide each Buyer promptly, from time to time upon request, such information, documents, records or reports relating to the Eligible Farmer Loans or Seller as such Buyer (or its assigns) may be required by a Governmental Authority to obtain; provided, that each such Buyer shall use commercially reasonable efforts to maintain the confidentiality of such information, documents, records or reports to the extent consistent with applicable Law, Seller's normal privacy and confidentiality procedures, the terms of the Data Transfer Agreement and any confidentiality provisions or restrictions contained therein.



(l) *Accounting* . Seller shall comply with all required accounting and Tax disclosures related to the Transactions in accordance with GAAP and applicable Law, except where the failure to do so would not reasonably be expected to have a Material Adverse Effect.

(m) *Changes Concerning Seller* . Seller will not undergo a Change of Control or change its (i) jurisdiction of organization, (ii) name, (iii) identity or structure (within the meaning of Article 9 of the UCC), unless it shall have notified Agent of the same and delivered to Agent all financing statement amendments and other documents necessary to maintain the perfection of the Security Interests granted by Seller under the Transaction Agreements in connection with such change, relocation or Change of Control.

(n) *Compliance* . Seller will not directly or indirectly use, and shall not permit its Subsidiaries and its or their respective directors, officers, employees and, to the knowledge of Seller and to the extent commercially reasonable, agents to directly or indirectly use, the proceeds of any Transaction (i) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Money Laundering Laws or Anti-Corruption Laws, (ii) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country, in violation of Sanctions Laws, or (iii) in any manner that would result in the violation of any Sanctions or Sanctions Laws by any Person (including any Party hereto). Seller shall, and cause each of its Subsidiaries to, use commercially reasonable efforts to ensure that no funds used to pay the obligations under any Transaction Agreement (i) constitute the property of, or are beneficially owned, directly or indirectly, by any Sanctioned Person, (ii) are derived from any transactions or business with any Sanctioned Person or Sanctioned Country, or (iii) are derived from any unlawful activity, including activity in violation of Anti-Money Laundering Laws or Anti-Corruption Laws. Seller will maintain in effect policies and procedures designed to promote compliance by Seller, its Subsidiaries, and their respective directors, officers, employees, and agents with Anti-Corruption Laws.

(o) *Margin Compliance During Final Two Months* . On each Recalculation Date, Seller shall recalculate the aggregate Market Value of the Transaction Portfolio for the Current Transaction as of the close of business on the Business Day that is three (3) Business Days before such Recalculation Date, and based on such recalculations, shall notify Agent in writing (i) no later than the second Business Day following such Recalculation Date if the aggregate Market Value of such Transaction Portfolio decreases to an extent sufficient to result in a Margin Deficit exceeding fifty percent (50%) of the applicable threshold specified in Paragraph 4(e) of Annex I to the Master Repurchase Agreement and (ii) promptly if the aggregate Market Value of such Transaction Portfolio decreases to an extent sufficient to result in a Margin Deficit exceeding the applicable threshold specified in Paragraph 4(e) of Annex I to the Master Repurchase Agreement.

(p) *Servicing Information* . In the event that Agent reasonably determines, with notice to Seller, that the likelihood of an Event of Default occurring has increased by an amount that it deems material, Seller shall within ten (10) Business days following receipt of such notice, provide Agent with an updated Portfolio Schedule for the Current Transaction, which updated Portfolio Schedule shall include, for each Debtor with respect to each Eligible Farmer Loan listed

on the Portfolio Schedule, the name, address, phone number, email address of, and principal contact at, each such Debtor and each Portfolio Schedule delivered hereunder thereafter shall contain such additional information; provided, that, for the avoidance of doubt, any removal by Seller of Eligible Farmer Loans from the applicable Transaction Portfolio prior to or in connection with the delivery of such updated Portfolio Schedule and other documents must comply with the applicable requirements of this Framework Agreement and the Master Repurchase Agreement. If an Event of Default shall have occurred and be continuing, Seller, upon a written request from Agent, provide to Agent (i) within ten (10) Business Days following receipt of such request with a list of all invoices provided to the Debtors under the Eligible Farmer Loans comprising the Transaction Portfolio, (ii) within four weeks following receipt of such request, copies of all Loan Agreements with and invoices pertaining to, such Debtors and corresponding Eligible Farmer Loans, which delivery shall be effected at an approximate rate of 25% of such Loan Agreements and invoices per week, it being understood that delivery at a faster rate in earlier weeks may result in a smaller percentage being delivered in later weeks and (iii) as promptly as practicable following receipt of such request, any other documents which may be necessary or appropriate to enforce Seller's rights in connection with such Eligible Farmer Loans.

## **6. Agent.**

### **6.1 Appointment and Authority.**

(a) Each of the Buyers hereby irrevocably appoints Rabobank to act on its behalf as Agent hereunder and under the other Transaction Agreements and authorizes Agent to take such actions on its behalf and to exercise such powers as are delegated to Agent by the terms hereof or thereof (including the power to execute and deliver Confirmations on behalf of such Buyer in accordance with Sections 4.1 and 4.5 of this Framework Agreement and the Master Repurchase Agreement), together with such actions and powers as are reasonably incidental thereto. The provisions of this Article VI (other than the proviso to the first sentence of Section 6.5) are solely for the benefit of Agent, and neither Seller nor Guarantor shall have rights as a third party beneficiary of any of such provisions.

(b) Each of the Buyers hereby irrevocably appoints and authorizes Agent to act as the agent of such Buyer for purposes of acquiring, holding and enforcing any and all Security Interests on Purchased Securities granted by Seller under the Transaction Agreements, including the filing in Agent's name of any financing statements on behalf of Buyers, together with such powers and discretion as are reasonably incidental thereto. Each Buyer hereby authorizes Agent to exercise any rights and remedies on its behalf hereunder or under the other Transaction Agreements in respect of such Security Interests.

(c) Agent hereby agrees that it will promptly deliver to each Buyer copies of each Confirmation and Portfolio Schedule and any notices or written information received by Agent from Seller or Guarantor in connection with any Transaction Agreement (other than the Side Letter).

6.2 Rights as a Buyer. The Person serving as Agent hereunder shall have the same rights and powers in its capacity as a Buyer as any other Buyer and may exercise the same as though it were not Agent and the term "Buyer" or "Buyers" shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as Agent hereunder in its individual

capacity. Such Person and its Affiliates may accept deposits from, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with Seller, Guarantor or any of their Affiliates as if such Person were not Agent hereunder and without any duty to account therefor to the Buyers.

6.3 Exculpatory Provisions. The Agent shall not have any duties or obligations except those expressly set forth herein and in the other Transaction Agreements. Without limiting the generality of the foregoing, Agent:

(i) shall not be subject to any fiduciary or other implied duties, regardless of whether an Event of Default has occurred and is continuing;

(ii) shall not have any duty to take any discretionary action or exercise any discretionary powers; and

(iii) shall not, except as expressly set forth herein or in the other Transaction Agreements, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to any Seller, Guarantor or any of their Affiliates that is communicated to or obtained by the Person serving as Agent or any of its Affiliates in any capacity.

Agent shall not be liable for any action taken or not taken by it in the absence of its own gross negligence or willful misconduct. Agent shall be deemed not to have knowledge of any Event of Default unless and until notice describing such Event of Default as such is given to Agent by Seller, Guarantor or a Buyer.

Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Framework Agreement or any other Transaction Agreement, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Event of Default, (iv) the validity, enforceability, effectiveness or genuineness of this Framework Agreement, any other Transaction Agreement or any other agreement, instrument or document, (v) the value or the sufficiency of any Purchased Securities or (vi) the satisfaction of any condition set forth in Article III, Section 4.3 or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to Agent.

6.4 Reliance by Agent. Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. Agent may consult with legal counsel, independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

6.5 Delegation of Duties. Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Transaction Agreement by or through any one or more sub-agents appointed by Agent; provided, that with respect to any sub-agents taking actions with respect to, or receiving information in respect of, Eligible Farmer Loans that are not wholly-owned Subsidiaries of Agent and could reasonably be considered a competitor of Seller, but only insofar as no Event of Default has occurred and is continuing, Agent shall have first obtained the prior written consent of Seller. Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article shall apply to any such sub-agent and to the Related Parties of Agent and any such sub-agent.

6.6 Non-Reliance on Agent and Other Buyers. Each Buyer acknowledges that it has, independently and without reliance upon Agent or any other Buyer or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Framework Agreement and the other Transaction Agreements. Each Buyer also acknowledges that it will, independently and without reliance upon Agent or any other Buyer or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Framework Agreement, any other Transaction Agreement or any related agreement or any document furnished hereunder or thereunder.

6.7 Agent May File Proofs of Claim. In case of the pendency of any proceeding under any bankruptcy or insolvency Law or any other judicial proceeding relative to Seller or Guarantor, Agent shall be entitled and empowered, by intervention in such proceeding or otherwise:

(i) to file and prove a claim for the whole amount of any amounts that are owing by Seller or Guarantor under any Transaction Agreement and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Buyers and Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Buyers, Agent and their respective agents and counsel and all other amounts due to the Buyers and Agent under any Transaction Agreement) allowed in such judicial proceeding; and

(ii) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, curator, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Buyer to make such payments to Agent and, in the event that Agent shall consent to the making of such payments directly to the Buyers, to pay to Agent any amount due for the reasonable compensation, expenses, disbursements and advances of Agents and their respective agents and counsel, and any other amounts due to Agent hereunder or under any Transaction Agreement.

Nothing contained herein shall be deemed to authorize Agent to authorize or consent to or accept or adopt on behalf of any Buyer any plan of reorganization, arrangement, adjustment or composition affecting the obligations of Seller or Guarantor under any Transaction Agreement or

the rights of any Buyer or to authorize Agent to vote in respect of the claim of any Buyer in any such proceeding.

6.8 Withholding Tax. To the extent required by any applicable Law, Agent may withhold from any payment to any Buyer an amount equal to any applicable withholding Tax; provided, that Agent shall ensure that the withholding does not exceed the minimum amount legally required and Agent shall pay the amount withheld to the relevant Governmental Authority in accordance with applicable law. If the IRS or any other authority of the United States or other jurisdiction asserts a claim that Agent did not properly withhold Tax from any amount paid to or for the account of any Buyer for any reason (including because the appropriate form was not delivered or was not properly executed, or because such Buyer failed to notify Agent of a change in circumstances that rendered the exemption from, or reduction of, withholding Tax ineffective), such Buyer shall indemnify and hold harmless Agent (to the extent that Agent has not already been reimbursed by Seller or Guarantor and without limiting or expanding the obligation of Seller or Guarantor to do so) for all amounts paid, directly or indirectly, by Agent as Tax or otherwise, including any penalties, additions to Tax or interest thereon, together with all expenses incurred, including legal expenses and any out-of-pocket expenses, whether or not such Tax was correctly or legally imposed or asserted by the relevant Governmental Authority; provided, that Buyer shall not be required to indemnify Agent for penalties, addition to Tax or interest thereon, or any expenses incurred, to the extent the failure to withhold results from Agent's gross negligence or willful misconduct. A certificate as to the amount of such payment or liability delivered to any Buyer by Agent shall be conclusive absent manifest error. Each Buyer hereby authorizes Agent to set off and apply any and all amounts at any time owing to such Buyer under this Framework Agreement or any other Transaction Agreement against any amount due to Agent under this Article VI. The agreements in this Article VI shall survive any assignment of rights by, or the replacement of, a Buyer, the expiration of the Facility Term and the repayment, satisfaction or discharge of all obligations under this Framework Agreement and the other Transaction Agreements. Unless required by applicable Laws, at no time shall Agent have any obligation to file for or otherwise pursue on behalf of a Buyer any refund of Taxes withheld or deducted from funds paid for the account of such Buyer.

## **7. Payment To Agent; Several Obligations And Certain Calculations.**

7.1 Payments to Agent. Notwithstanding anything to the contrary contained herein, all amounts payable to any Buyer in connection with any Transaction shall be paid to Agent, and Agent shall distribute such payments to the Buyers in accordance with Section 4.4. As between Seller and the Buyers, any payment of such amounts to Agent shall be treated as payments to the Buyers and neither Seller nor Guarantor shall have any liability for the failure of Agent to comply with the preceding sentence.

7.2 Several Obligations. The obligations of the Buyers hereunder are several, and no Buyer shall have any obligation or liability for the failure of any other Buyer to perform its obligations hereunder.

7.3 Certain Calculations. Agent shall calculate the Undivided Commitment Percentages, Undivided Funding Percentages, Funded Purchase Prices, Funding Amounts, Distribution Amounts, Aggregate Commitment Amount, Aggregate Buyer Balance, Individual Commitment Amounts,

Individual Buyer Balances, Breakage Amounts, the amounts of any fees payable under the Fee Letter or the Side Letter and all other amounts to be calculated under the Transaction Agreements, as well as any adjustments thereto, which calculations shall be conclusive absent manifest error. Upon the reasonable request of Seller, any Buyer or Guarantor for any such calculations, Agent shall promptly provide such calculations to such Person.

## **8. Confidentiality.**

8.1 Duty to Preserve Confidentiality. Except as otherwise provided herein, each Receiving Party agrees, for a period of two (2) years following the termination or expiration of this Framework Agreement, to hold in confidence all Confidential Information furnished by the Disclosing Party, to not disclose any Confidential Information to any third party, and to use Confidential Information solely for purposes of the transactions contemplated by this Framework Agreement and the other Transaction Agreements; *provided*, that such Confidential Information may be disclosed to Representatives of such Receiving Party as reasonably necessary in connection with the transactions contemplated by this Framework Agreement and the other Transaction Agreements, so long as such Representatives are similarly bound by an obligation of confidentiality (including by means of applicable policies of the Receiving Party).

8.2 Permitted Disclosure. Notwithstanding the foregoing Section, a Receiving Party shall be permitted to disclose Confidential Information of a Disclosing Party if the Receiving Party is required by applicable Law or other legal process or requested by any Governmental Authority asserting jurisdiction over the Receiving Party or its Affiliates, or as necessary or appropriate to enforce its rights under the Transaction Agreements. Such Receiving Party agrees that in the event of any such disclosure (other than as a result of an examination by a Governmental Authority or other regulatory authority), it will notify the Disclosing Party as soon as practicable, unless such notification shall be prohibited by applicable Law. Such Receiving Party shall disclose only that portion of the Confidential Information that, in the reasonable judgment of such Receiving Party and its Representatives, is legally required (or, in the case of request by a Governmental Authority or other regulatory authority, that portion ordinarily disclosed in accordance with the Receiving Party's usual practice with respect to such requests) and shall disclose the Confidential Information in a manner reasonably designed to preserve its confidential nature.

8.3 Return of Confidential Information. Unless otherwise specified in writing, all Confidential Information shall remain the property of the Disclosing Party. Upon request of the Disclosing Party, the Receiving Party agrees to return or destroy all Confidential Information received from the Disclosing Party; *provided*, that (i) the Receiving Party and its Representatives may retain Confidential Information to the extent required by any applicable Law, by any supervisory or regulatory body or by its internal record retention policy, and (ii) the Receiving Party and its Representatives shall in no event be required to erase, destroy or return any information from computer systems or hard drives, tapes, memory or other electronic forms of information retention processes, materials or equipment. All Confidential Information so retained shall remain subject to the confidentiality obligations set forth herein.

8.4 Data Transfer Agreement. In addition to the confidentiality provisions set forth in Section 8.1, but subject to the provisions of Sections 8.2 and 8.3 concerning permitted disclosures

and retention, each Buyer agrees to be bound by the provisions of the Data Transfer Agreement that are applicable to the “Company” thereunder as though such Buyer were a signatory to such Data Transfer Agreement as the “Company” thereunder.

## **9. Miscellaneous**

Except as otherwise expressly set forth in a Transaction Agreement, the following will apply to all Transaction Agreements:

9.1 Copies of Records; Further Assurances. Each Party will promptly provide, upon the other Party’s written request, copies of the other Party’s records in a Party’s or any of its Subsidiaries’ possession or control. Each Party will promptly execute, or cause its Subsidiaries to promptly execute, such other documents and instruments, and provide such other assurances, as reasonably necessary to carry out the purpose and intent of the Transaction Agreements.

9.2 Expenses. Except as otherwise set forth in the Engagement Letter or in any Transaction Agreement, all costs and expenses, including fees and disbursements of counsel, financial advisors, and accountants, incurred in connection with any Transaction Agreement will be paid by the Party incurring those costs and expenses.

9.3 Entire Agreement. This Framework Agreement, together with the other Transaction Agreements, constitutes the entire agreement between the Parties and supersedes all prior oral and written negotiations, communications, discussions, and correspondence pertaining to the subject matter of the Transaction Agreements (other than, with respect to reimbursement of expenses, the Engagement Letter).

9.4 Order of Precedence. If there is a conflict between this Framework Agreement and any other Transaction Agreement, this Framework Agreement will control unless the conflicting provision of the other Transaction Agreement specifically references the provision of this Framework Agreement to be superseded.

9.5 Amendments and Waivers. The Transaction Agreements may only be amended or modified (including any waiver of or exception to any obligation or covenant under a Transaction Agreement) by an instrument in writing signed by each Party hereto. For the avoidance of doubt, Agent is not authorized to sign any waiver or amendment on behalf of any Buyer without the consent of such Buyer.

9.6 Binding Effect. The Transaction Agreements will be binding upon and inure to the benefit of the Parties and their respective heirs, legal representatives, successors, and permitted assigns.

9.7 Assignment. Except as provided in this Framework Agreement or any other Transaction Agreement, neither this Framework Agreement nor any other Transaction Agreement, respectively, may be assigned or otherwise transferred, nor may any right or obligation hereunder or under another Transaction Agreement be assigned or transferred by any Party without the consent of the other Parties. Any permitted assignee shall assume all obligations of its assignor under this

Framework Agreement; provided, that in the event of any assignment by a Defaulting Buyer required pursuant to Section 4.5(b), any indemnity obligations owed to or by such Defaulting Buyer under the Transaction Agreements shall survive such assignment. This Framework Agreement is binding upon the permitted successors and assigns of the Parties. Any attempted assignment not in accordance with this Section 9.7 shall be void.

9.8 Notices. All notices, requests, demands, and other communications required or permitted to be given under any of the Transaction Agreements by either Party must be in writing delivered to the applicable Party at the following address:

If to Rabobank or Agent:

Coöperatieve Rabobank, U.A., New York Branch  
245 Park Avenue  
New York, New York 10167  
Attention: Michael Lahaie  
E-Mail: Michael.Lahaie@rabobank.com

With copy to:

Coöperatieve Rabobank, U.A., New York Branch  
245 Park Avenue  
New York, New York 10167  
Attention: Chris Kortlandt  
E-Mail: Chris.Kortlandt@rabobank.com

If to BTMU:

The Bank of Tokyo-Mitsubishi UFJ, Ltd.  
1251 Avenue of the Americas  
New York, New York 10020-1104  
Attention: Arnold Schraa  
E-Mail: aschraa@us.mufg.jp



With copy to:

The Bank of Tokyo-Mitsubishi UFJ, Ltd.  
1251 Avenue of the Americas  
New York, NY 10020-1104  
Attention: Nicholas Sopkin  
E-Mail: nsopkin@us.mufg.jp

If to Seller:

PHI Financial Services, Inc.  
7100 NW 62<sup>nd</sup> Avenue  
P.O. Box 1050  
Johnston, Iowa 50131  
Attention: Secretary  
E-Mail: mike.wineland@pioneer.com

With a copy to:

E. I. du Pont de Nemours and Company  
974 Centre Road  
Chestnut Run Plaza 730/5218  
Wilmington, Delaware 19805  
Attention: Treasury Consultant and Corporate Secretary  
E-Mails: james.p.donaghey@dupont.com  
erik.t.hoover@dupont.com

or to such other address as any Party may designate by written notice to the other Party. Each notice, request, demand, or other communication will be deemed given and effective, as follows: (i) if sent by hand delivery, upon delivery; (ii) if sent by first-class U.S. Mail, postage prepaid, upon the earlier to occur of receipt or three days after deposit in the U.S. Mail; (iii) if sent by a recognized prepaid overnight courier service, one Business Day after the date it is given to such service; (iv) if sent by facsimile, upon receipt of confirmation of successful transmission by the facsimile machine; and (iv) if sent by email, upon acknowledgement of receipt by the recipient.

**9.9 GOVERNING LAW. THIS FRAMEWORK AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO THE CONFLICTS OF LAW PROVISIONS THEREOF OTHER THAN SECTIONS 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW.**

9.10 Jurisdiction. Each Party hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Framework Agreement, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the state of New York located in the Borough of Manhattan in the City of New York, the courts of the United States of America for the Southern District of New York and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to the applicable party at its respective address set forth in Section 9.8 or at such other address which has been designated in accordance therewith; and

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by Law or shall limit the right to sue in any other jurisdiction.

**9.11 *WAIVER OF JURY TRIAL*. EACH PARTY HEREBY WAIVES ITS RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO ANY OF THE TRANSACTION AGREEMENTS OR THE TRANSACTIONS CONTEMPLATED BY THE TRANSACTION AGREEMENTS, IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY EITHER PARTY AGAINST THE OTHER, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. EACH PARTY HEREBY AGREES THAT ANY SUCH CLAIM OR CAUSE OF ACTION WILL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE PREVIOUS SENTENCE, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM, OR OTHER PROCEEDING THAT SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF ANY PORTION OF ANY TRANSACTION AGREEMENTS. THIS WAIVER WILL APPLY TO ANY SUBSEQUENT AMENDMENT, RENEWAL, SUPPLEMENT, OR MODIFICATION TO ANY OF THE TRANSACTION AGREEMENTS.**

9.12 Severability. If any provision of a Transaction Agreement is held by a court of competent jurisdiction to be invalid, unenforceable, or void, that provision will be enforced to the fullest extent permitted by applicable Law, and the remainder of the applicable Transaction Agreement will remain in full force and effect. If the time period or scope of any provision is declared by a court of competent jurisdiction to exceed the maximum time period or scope that that court deems enforceable, then that court will reduce the time period or scope to the maximum time period or scope permitted by Law.

9.13 Survival. The provisions of Section 5.3(c), Article VI, Article VII, Article VIII and this Article IX shall survive any termination or expiration of this Framework Agreement and any of the other Transaction Agreements.

9.14 Counterparts. The Transaction Agreements and any document related to the Transaction Agreements may be executed by the Parties on any number of separate counterparts, by facsimile or email, and all of those counterparts taken together will be deemed to constitute one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signatures are physically attached to the same document. A facsimile or portable document format (".pdf") signature page will constitute an original for the purposes of this Section 9.14.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the Parties have executed this Master Framework Agreement as of the date first written above.

**Buyer and Agent:**

Coöperatieve Rabobank, U.A., New York Branch

By: /s/ Michael J. LaHaie

Name: Michael J. LaHaie

Title: Executive Director

By: /s/ Vikram Malkani

Name: Vikram Malkani

Title: Managing Director

[SIGNATURE PAGES CONTINUE ON FOLLOWING PAGE]

[Signature Page to Master Framework Agreement]

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IN WITNESS WHEREOF, the Parties have executed this Master Framework Agreement as of the date first written above.

**Buyer:**

The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch

By: /s/ Terry McKay  
Name: Terry McKay  
Title: Managing Director

[SIGNATURE PAGES CONTINUE ON FOLLOWING PAGE]

[Signature Page to Master Framework Agreement]

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IN WITNESS WHEREOF, the Parties have executed this Master Framework Agreement as of the date first written above.

**Seller:**

PHI Financial Services, Inc.

By: /s/ Andrew Girardi

Name: Andrew Girardi

Title: President

[Signature Page to Master Framework Agreement]

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## SCHEDULE 1

### DEFINITIONS

As used in the Transaction Agreements, the following terms have the following meanings unless otherwise defined in any Transaction Agreement:

“**Action**” means any suit in equity, action at law or other judicial or administrative proceeding conducted or presided over by any Governmental Authority.

“**Additional Funding Conditions**” has the meaning set forth in Section 4.3(a).

“**Additional Funding Transaction**” means a Transaction with respect to which any Funded Purchase Price is to be paid, whether pursuant to Section 4.2(b) or Section 4.5(a)(ii).

“**Affiliate**” of a Party means any Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, that Party. The term “control” (including the terms “controlled by” and “under common control with”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise.

“**Agent**” has the meaning set forth in the Preamble.

“**Aggregate Commitment Amount**” means, as of any date of determination with respect to any Transaction or proposed Transaction, the sum of the applicable Individual Commitment Amounts for each of the Buyers as of such date of determination.

“**Aggregate Buyer Balance**” means, as of any time of determination, the aggregate Purchase Price with respect to the applicable Current Transaction.

“**Anti-Corruption Laws**” means the Foreign Corrupt Practices Act of 1977, the UK Bribery Act of 2010, and the rules and regulations promulgated thereunder, and all other laws, rules, and regulations of any jurisdiction applicable to Seller or any of its Subsidiaries concerning or relating to bribery or corruption.

“**Anti-Money Laundering Laws**” means the Patriot Act, the Money Laundering Control Act of 1986, the Bank Secrecy Act, and the rules and regulations promulgated thereunder, and corresponding laws of the jurisdictions in which Seller or any of its Subsidiaries operates or in which Seller or any of its Subsidiaries will use the proceeds of the Transactions.

“**Asset Representations, Warranties and Covenants**” means, collectively, the representations, warranties and covenants set forth in Section 5.2, Section 5.3(b), Section 5.3(d), Section 5.3(f), Section 5.3(g) and Section 5.3(h).

“**Book Value**” means, with respect to any Eligible Farmer Loan as of any date of determination, the outstanding principal amount of such Eligible Farmer Loan as of such date of determination.

“**Breakage Amount**” has the meaning set forth in the Master Repurchase Agreement.

“**Business Day**” means any day other than (i) a Saturday or Sunday or (ii) a day on which banking institutions located in New York City are permitted or required by applicable Law or regulation to remain closed.

“**Buyer**” has the meaning set forth in the Preamble.

“**CBR Score**” means, with respect to any Debtor that is a natural person as of any date of determination, the most recent numerical FICO score issued by Equifax, Experian or TransUnion with respect to such Debtor obtained by Seller and maintained in its records in accordance with its underwriting procedures for the 2017 season; provided, that any such Debtor for which Seller does not have a FICO score in its records as of such date of determination (with respect to which the most recent FICO score in Seller’s records was issued more than three (3) years prior to such date of determination) shall be deemed to have a FICO score of zero.

“**Change of Control**” means with respect to any Person, the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Securities Exchange Act of 1934 and the rules of the Securities and Exchange Commission thereunder as in effect on the date hereof), of voting equity securities representing more than 50% of the aggregate ordinary voting power represented by the issued and outstanding voting equity securities of such Person; provided, that none of the foregoing shall constitute a Change of Control with respect to Seller or Guarantor to the extent occurring as a result of the DowDuPont Merger so long as Guarantor continues as a surviving entity following the DowDuPont Merger; provided, further, that the occurrence of any of the following shall be treated as the occurrence of a Change of Control with respect to Seller to the extent occurring on or after the effective date of the DowDuPont Merger:

(a) Topco ceases to own, directly or indirectly, 100% of the issued and outstanding equity interests in Guarantor (other than, unless redeemed or otherwise extinguished, the Preferred Stock - \$4.50 Series and the Preferred Stock - \$3.50 Series of Guarantor outstanding on March 22, 2016);

(b) Guarantor violates the provisions of Sections 5.09, 6.01 or 6.05 of the Revolver, as amended from time to time;

(c) Guarantor violates the provisions of Section 6.02 of the Revolver, as amended from time to time, replacing the reference to a “Default” thereunder with an Event of Default under this Framework Agreement; or

(d) Seller ceases to be a direct or indirect wholly-owned Subsidiary of Guarantor.

“**Code**” means the Internal Revenue Code of 1986, as amended.

“**Commitment Reduction Date**” means the Monthly Date occurring in November, 2017.



“ **Confidential Information** ” means any and all information, know-how and data, technical or non-technical, disclosed or provided by one Party to another Party concerning any of the Transaction Agreements, the subject matter thereof or any of the transactions contemplated thereby, whether disclosed or provided in oral, written, graphic, photographic, electronic, or any other form, but excluding any such information to the extent that such information:

- (a) is or becomes generally known or available to the public without breach of this Framework Agreement;
- (b) is known to the Receiving Party or any of its Representatives at the time of disclosure, as evidenced by written records of the Receiving Party;
- (c) is independently developed by the Receiving Party or any of its Representatives, as evidenced by written records of the Receiving Party; or
- (d) is disclosed to the Receiving Party by a third party who, to the knowledge of the Receiving Party, is not bound by any duty of confidentiality to the Disclosing Party.

“ **Confirmation** ” has the meaning set forth in the Master Repurchase Agreement.

“ **Contract** ” means contracts, leases, deeds, mortgages, licenses, instruments, notes, commitments, undertakings, indentures, joint ventures and all other agreements, commitments, and legally binding arrangements, whether written or oral.

“ **Current Transaction** ” means, as of any time of determination, the Transaction, if any, outstanding at such time of determination.

“ **Data Transfer Agreement** ” means that certain Data Transfer Agreement dated as of September 15, 2015, between Agent and Guarantor, as set forth on Schedule 4.

“ **Debtor** ” means, with respect to any Eligible Farmer Loan, each of the Persons designated as a “borrower” under the applicable Loan Agreement.

“ **Deemed Roll-Over Conditions** ” has the meaning set forth in Section 4.3(c).

“ **Deemed Roll-Over Transaction** ” has the meaning set forth in Section 4.1(c).

“ **Defaulting Buyer** ” has the meaning set forth in Section 4.5.

“ **Direct Taxes** ” means sales, use, excise, gross receipts, fuel, value added, export/import, acquisition, transfer and similar Taxes, or any inspection fees, environmental fees and similar amounts imposed on or with respect to any Eligible Farmer Loan or any Contracts related thereto.

“ **Disclosing Party** ” means the Party who provides (by any means, including indirectly through Agent or any third party or third party application or website) any Confidential Information to the Receiving Party.

“ **Distribution Amount** ” means, for any Buyer with respect to any Funded Repurchase Price or Margin Payment paid by Seller in connection with any Transaction, an amount equal to the product of such Funded Repurchase Price or Margin Payment, multiplied by such Buyer’s Undivided Funding Percentage as of the date such Funded Repurchase Price or Margin Payment was paid by Seller to Agent.

“ **DowDuPont Merger** ” means any of the transactions contemplated by the Agreement and Plan of Merger, dated as of December 11, 2015, by and among The Dow Chemical Company, Diamond-Orion Holdco, Inc., Diamond Merger Sub, Inc., Orion Merger Sub, Inc. and Guarantor, as supplemented by the Orion Disclosure Letter thereto and the Diamond Disclosure Letter thereto, each dated as of the same date (the “ **Merger Agreement** ”), as such Merger Agreement may be amended, restated or otherwise modified from time to time.

“ **Eligible Farmer Loan** ” means any outstanding loan made by Seller to a customer of Seller or its Affiliates in connection with Seller’s Pioneer Deferred Payment Plan program with a stated final maturity date of December 1, 2017.

“ **Engagement Letter** ” means that certain Engagement Letter dated January 31, 2017, between Rabobank and Guarantor.

“ **ERISA Event** ” has the meaning ascribed to such term in the Revolver.

“ **Event of Default** ” means any of the following:

(a) Seller or Guarantor shall have failed to pay any margin payment required to be paid under Paragraph 4(a) of the Master Repurchase Agreement or any Repurchase Price due and payable on the Scheduled Facility Expiration Date or on any Commitment Reduction Date, in each case, when and as the same shall become due and payable;

(b) Seller or Guarantor shall have failed to pay any Repurchase Price (other than any Repurchase Price payable on the Scheduled Facility Expiration Date), Price Differential, any fee required to be paid under the Fee Letter or the Side Letter, any amount required to be refunded pursuant to Section 4.5(a)(iii) hereof, or any other amounts owing under any Transaction Agreement (other than amounts specified in clause (a) of this definition), in each case, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of three (3) or more Business Days;

(c) Seller shall fail to perform any covenant set forth in Section 5.3(f)(i) or Section 5.3(o);

(d) Seller or Guarantor shall fail to observe or perform any covenant, condition or agreement contained in this Framework Agreement or any other Transaction Agreement (excluding (i) any covenants, conditions or agreements contained in the Asset Representations, Warranties and Covenants unless the failure to observe such covenants, conditions and agreements would, individually or in the aggregate, have a Material Adverse Effect and (ii) any covenants, conditions or agreements

specified in clauses (a), (b) or (c) of this definition) and such failure shall continue unremedied for a period of 30 or more days;

(e) any representation or warranty made or deemed made by or on behalf of Seller or Guarantor in or in connection with this Framework Agreement, any other Transaction Agreement or any amendment or modification hereof or thereof, shall prove to have been incorrect in any material respect when made or deemed made (excluding any representations or warranties contained in the Asset Representations, Warranties and Covenants unless the failure of such representations and warranties would, individually or in the aggregate, have a Material Adverse Effect), and such failure to be correct shall continue unremedied for a period of 30 or more days;

(f) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of either of Seller or Guarantor or its debts, or of a substantial part of the assets thereof, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for either of Seller or Guarantor or for a substantial part of its assets, and in any such case, such proceeding or petition shall continue undismissed for a period of 60 or more days or an order or decree approving or ordering any of the foregoing shall be entered;

(g) Seller or Guarantor shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (f) of this definition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Seller or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing;

(h) Seller or Guarantor shall become unable, admit in writing its inability or fail generally to pay its debts as they become due;

(i) one or more judgments for the payment of money in an aggregate amount (to the extent not covered by insurance) in excess of \$100,000,000 shall be rendered against Seller, Guarantor or any Material Subsidiaries of Guarantor or any combination thereof, and the same shall remain undischarged for a period of 30 or more consecutive days during which execution shall not be effectively stayed, vacated or bonded pending appeal;

(j) an ERISA Event shall have occurred that, in the reasonable determination of Agent, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in a Material Adverse Effect; and

(k) the Guaranty shall cease to be in full force and effect, or its validity or enforceability shall be disputed by Seller or Guarantor.

“ **Facility Expiration Date** ” means the Scheduled Facility Expiration Date; provided, that on any Business Day following the occurrence of a Change of Control with respect to Guarantor or Seller, Agent may deliver a written notice to Seller terminating the Facility Term, in which case the Facility Expiration Date shall be the first Monthly Date to occur that is at least five (5) Business Days following the date of such delivery.

“ **Facility Term** ” means the period beginning on the Effective Date and ending on the Facility Expiration Date.

“ **Fee Letter** ” means that certain Fee Letter Agreement dated as of the Effective Date, by and between Seller, Agent and the Buyers.

“ **Framework Agreement** ” has the meaning set forth in the Preamble.

“ **Funded Purchase Price** ” means, with respect to any Transaction entered into (or proposed to be entered into) on any Purchase Date, the excess of (a) Purchase Price for such Transaction over (y) the amount of Repurchase Price under the Transaction (if any) whose Repurchase Date coincides with such Purchase Date which is netted against such Purchase Price in accordance with Paragraph 12 of the Master Repurchase Agreement (any such netting being subject to Paragraph 12 of Annex I to the Master Repurchase Agreement).

“ **Funded Repurchase Price** ” means, with respect to any Transaction expiring on any Repurchase Date, the Repurchase Price for such Transaction minus the amount of any Purchase Price under any other Transaction whose Purchase Date coincides with such Repurchase Date which is netted against such Repurchase Price in accordance with Paragraph 12 of the Master Repurchase Agreement (any such netting being subject to Paragraph 12 of Annex I to the Master Repurchase Agreement).

“ **Funding Amount** ” means, with respect to any Buyer in connection with any proposed Additional Funding Transaction, an amount equal to the product of (x) the Funded Purchase Price anticipated to be payable with respect to such Additional Funding Transaction (as specified in the relevant Funding Notice and without regard to any subsequent reduction thereof) multiplied by (y) such Buyer’s Undivided Commitment Percentage with respect to such Additional Funding Transaction; provided, that if one or more Buyers are Defaulting Buyers as of the date on which Agent delivers (or is required to deliver) the relevant Funding Notice in connection with such proposed Additional Funding Transaction pursuant to Section 4.2(a), then solely for purposes of calculating the applicable Funding Amounts for each Buyer in connection with such proposed Additional Funding Transaction, (i) the Undivided Commitment Percentage of each such existing Defaulting Buyer with respect to such Additional Funding Transaction shall be deemed to be zero, and (ii) the Undivided Commitment Percentages of the remaining Buyers shall be deemed to be proportionately increased (as calculated by Agent and indicated in the relevant Funding Notice for such proposed Additional Funding Transaction) such that the sum of the Undivided Commitment Percentages of such remaining Buyers equals 100%.

“ **Funding Notice** ” has the meaning set forth in Section 4.2(a).

“ **GAAP** ” means generally accepted accounting principles as applied in the United States.

“ **Governmental Authority** ” means any federal, state, local or foreign government or political subdivision thereof, or any agency or instrumentality of such government or political subdivision, or any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supranational bodies such as the European Union or the European Central Bank).

“ **Governmental Order** ” means any order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental Authority.

“ **Guarantor** ” means E. I. du Pont de Nemours and Company, a Delaware corporation.

“ **Guaranty** ” means that certain Guaranty, dated as of the Effective Date, executed by Guarantor in favor of Buyers.

“ **Individual Buyer Balance** ” means, for any Buyer as of any time of determination, the excess, if any, of (x) the aggregate amount of Funded Purchase Price funded by such Buyer and applied to Purchase Price over (y) the aggregate Distribution Amounts allocated to such Buyer with respect to amounts of Funded Repurchase Price or Margin Payments paid by Seller (excluding any such amounts of Funded Repurchase Price attributable to payments of Price Differential), in each case, in connection with the Current Transaction and all prior Transactions as of such time of determination, subject to transfer or adjustment in accordance with the terms hereof.

“ **Individual Commitment Amount** ” means, with respect to each Buyer in connection with any outstanding or proposed Transaction, the amount set forth in Schedule 5 to this Framework Agreement for such Buyer corresponding to the calendar month in which the Purchase Date for such Transaction occurs, subject to transfer or adjustment in accordance with the terms hereof.

“ **Law** ” means any statute, law, ordinance, regulation, rule, code, order, constitution, treaty, common law, judgment, decree, other requirement or rule of law of any Governmental Authority.

“ **Loan Agreement** ” means, with respect to each Eligible Farmer Loan, the Contract governing such loan, as amended.

“ **Margin Deficit** ” has the meaning set forth in the Master Repurchase Agreement.

“ **Margin Payment** ” means any cash transferred by Seller to Agent as required pursuant to Paragraph 4(a) of the Master Repurchase Agreement or as permitted under Paragraph 4(f) of Annex I to the Master Repurchase Agreement.

“ **Market Value** ” has the meaning set forth in the Master Repurchase Agreement.

“ **Master Repurchase Agreement** ” means that certain 1996 SIFMA Master Repurchase Agreement dated as of January 31, 2017, between Seller and Buyers, including Annex I thereto (and as amended thereby).

“ **Material Adverse Effect** ” means a material adverse effect on (a) the Eligible Farmer Loans, taken as a whole, (b) the ability of Seller to perform any of its obligations under the Transaction Agreements to which it is a party or (c) the rights of or benefits available to the Buyers under the Transaction Agreements.

“ **Material Subsidiary** ” has the meaning ascribed to such term in the Revolver.

“ **Merger Agreement** ” has the meaning set forth in the definition of DowDuPont Merger.

“ **Monthly Date** ” means the eleventh (11<sup>th</sup>) Business Day of each calendar month occurring during the Facility Term.

“ **OFAC** ” means the Office of Foreign Assets Control of the U.S. Department of the Treasury.

“ **Organizational Documents** ” means a Party’s articles or certificate of incorporation and its by-laws or similar governing instruments required by the laws of its jurisdiction of formation or organization.

“ **Party** ” and “ **Parties** ” have the meaning set forth in the Preamble.

“ **Permits** ” means all permits, licenses, franchises, approvals, authorizations, registrations, certificates, variances and similar rights obtained, or required to be obtained, from Governmental Authorities.

“ **Person** ” means an individual, corporation, partnership, joint venture, limited liability company, Governmental Authority, unincorporated organization, trust, association, or other entity.

“ **Portfolio Schedule** ” has the meaning set forth in the Master Repurchase Agreement.

“ **Potential Event of Default** ” means the occurrence of any event that, with the giving of notice or lapse of time, would become an Event of Default.

“ **Price Differential** ” has the meaning set forth in the Master Repurchase Agreement.

“ **Pricing Rate** ” has the meaning set forth in the Master Repurchase Agreement.

“ **Purchase Date** ” has the meaning set forth in the Master Repurchase Agreement.

“ **Purchase Price** ” has the meaning set forth in the Master Repurchase Agreement.

“ **Purchased Securities** ” has the meaning set forth in the Master Repurchase Agreement.

“ **Rabobank** ” has the meaning set forth in the Preamble.

“ **Recalculation Date** ” means each of October 27, 2017 and November 22, 2017, as each such date may be adjusted at the request of Seller with the consent of Agent.

“ **Receiving Party** ” means the Party to whom any Confidential Information is provided (by any means, including indirectly through Agent or any third party or third party application or website) by the Disclosing Party.

“ **Related Parties** ” means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents, sub-agents, trustees and advisors of such Person and of such Person’s Affiliates.

“ **Representatives** ” means, with respect to any Person, its Affiliates, and the respective directors, officers, employees, consultants, representatives, attorneys, accountants, auditors, professional advisors and agents of such Person and each such Affiliate.

“ **Repurchase Date** ” has the meaning set forth in the Master Repurchase Agreement.

“ **Repurchase Price** ” has the meaning set forth in the Master Repurchase Agreement.

“ **Revolver** ” means that certain Credit Agreement dated as of May 21, 2014, as amended and restated as of March 22, 2016, among Guarantor, as Borrower, the Lenders from time to time party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent (as such agreement may be amended, restated or otherwise modified from time to time).

“ **Roll-Over Conditions** ” has the meaning set forth in Section 4.3(b).

“ **Roll-Over Portfolio Schedule** ” has the meaning set forth in Section 4.1(d)(C).

“ **Roll-Over Transaction** ” means any Transaction other than an Additional Funding Transaction.

“ **Sanctioned Country** ” means, at any time, a country or territory that is the target of comprehensive, country-wide or territory-wide Sanctions.

“ **Sanctioned Person** ” means, at any time, (a) any Person that is the target of any Sanctions, (b) listed in any Sanctions-related list of designated Persons maintained by any U.S. Governmental Authority (including OFAC), Her Majesty’s Treasury of the United Kingdom, the United Nations Security Council, the European Union or the Netherlands, (c) any Person organized or resident in a Sanctioned Country or (d) any Person that is fifty-percent or more owned, directly or indirectly, in the aggregate by, or is otherwise controlled by (within the meaning of applicable Sanctions Laws), any Person referred to in clauses (a), (b) or (c) above.

“ **Sanctions** ” means the economic or financial sanctions, trade embargoes or anti-terrorism programs implemented by Sanctions Laws.

“ **Sanctions Laws** ” means the laws, rules, regulations and executive orders promulgated or administered to implement economic or financial sanctions, trade embargoes or anti-terrorism programs by (a) any U.S. Governmental Authority (including OFAC), including Executive Order 13224, the Patriot Act, the Trading with the Enemy Act, the International Emergency Economic Powers Act; (b)

Her Majesty's Treasury of the United Kingdom; (c) the United Nations Security Council; (d) the European Union; or (e) the Netherlands.

“ **Scheduled Facility Expiration Date** ” means November 30, 2017.

“ **Security Interest** ” means any pledge, charge, lien, assignment by way of security, retention of title and any other encumbrance or security interest whatsoever created or arising under any relevant law, as well as any other agreement or arrangement having the effect of or performing the economic function of the same.

“ **Seller** ” has the meaning set forth in the Preamble.

“ **Side Letter** ” means that certain Side Letter Agreement dated as of the Effective Date, by and between Seller and Rabobank.

“ **Subsidiary** ” of any Person means any corporation, partnership, limited liability company, association, trust, unincorporated association or other legal entity of which such Person (either alone or through or together with any other Subsidiary), (i) owns, directly or indirectly, fifty percent (50%) or more of the shares of capital stock or other equity interests that are generally entitled to vote for the election of the board of directors or other governing body of such corporation or other legal entity; or (ii) has the contractual or other power to designate a majority of the board of directors or other governing body (and, where the context permits, includes any predecessor of such an entity).

“ **Tax** ” means all taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges payable to or imposed by any Governmental Authority, including any sales, use, excise or similar taxes and inclusive of any interest, additions to tax, penalties or fines applicable thereto.

“ **Topco** ” means either (a) DowDuPont Inc., a Delaware corporation, or (b) another newly formed (or, if not an operating company at the time it becomes “Topco”, existing) corporation organized under the laws of any state of the United States; provided that, in either case, such Person shall be the public parent company of both Guarantor and The Dow Chemical Company upon the effectiveness of the DowDuPont Merger.

“ **Transaction** ” has the meaning set forth in the Master Repurchase Agreement.

“ **Transaction Agreements** ” has the meaning set forth in Section 2.1.

“ **Transaction Conditions** ” means (i) in the case of any Additional Funding Transaction, the Additional Funding Conditions, (ii) in the case of any Roll-Over Transaction, the Roll-Over Conditions and (iii) in the case of any Deemed Roll-Over Transaction, the Deemed Roll-Over Conditions.

“ **Transaction Notice** ” has the meaning set forth in Section 4.1.



“ **Transaction Period** ” means, with respect to any Transaction, the period commencing on (and including) the Purchase Date for such Transaction and expiring on (but excluding) the Repurchase Date for such Transaction.

“ **Transaction Portfolio** ” means, with respect to any Transaction, the portfolio of Eligible Farmer Loans comprising the Purchased Securities acquired by Buyers in connection with such Transaction, as such portfolio may be modified from time to time during the Transaction Period for such Transaction in accordance with the terms of the Master Repurchase Agreement and applicable Confirmation.

“ **Undivided Commitment Percentage** ” means, with respect to any Buyer as of any date of determination or in connection with any Transaction or proposed Transaction, a fraction (expressed as a percentage) (a) the numerator of which is the Individual Commitment Amount of such Buyer applicable to such Transaction as of such date of determination and (b) the denominator of which is the Aggregate Commitment Amount in connection with such Transaction as of such date of determination.

“ **Undivided Funding Percentage** ” means, with respect to any Buyer as of any date of determination in connection with any Transaction, a fraction (expressed as a percentage), (a) the numerator of which is the Individual Buyer Balance of such Buyer as of such date of determination and (b) the denominator of which is the Aggregate Buyer Balance as of such date of determination.

“ **Weighted Average CBR Score** ” means, with respect to any Transaction Portfolio, the average of the CBR Scores for the applicable Debtors with respect to all Eligible Farmer Loans included in such Transaction Portfolio made to Debtors who are natural persons, weighted in accordance with the respective Book Values of such Eligible Farmer Loans.

**SCHEDULE 5**

**INDIVIDUAL COMMITMENT AMOUNTS**

(\$ in millions)

	<u><b>Rabobank</b></u>	<u><b>BTMU</b></u>
January 2017	\$0	\$0
February 2017	\$50	\$50
March 2017	\$150	\$150
April 2017	\$300	\$300
May 2017	\$550	\$550
June 2017	\$650	\$650
July 2017	\$650	\$650
August 2017	\$650	\$650
September 2017	\$650	\$650
October 2017	\$550	\$550
November 2017	\$400	\$400

## E. I. DU PONT DE NEMOURS AND COMPANY

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES  
(Dollars in millions)

	2016	2015	2014	2013	2012
Income from continuing operations before income taxes	\$ 3,265	\$ 2,591	\$ 4,313	\$ 2,566	\$ 1,290
Adjustment for companies accounted for by the equity method	(23)	39	150	63	(12)
Less: Capitalized interest	(25)	(70)	(56)	(39)	(37)
Add: Amortization of capitalized interest	51	32	36	36	37
	3,268	2,592	4,443	2,626	1,278
Fixed charges:					
Interest and debt expense	370	322	377	448	464
Capitalized interest	25	70	56	39	37
Rental expense representative of interest factor	77	107	108	101	121
	472	499	541	588	622
Total adjusted earnings available for payment of fixed charges	\$ 3,740	\$ 3,091	\$ 4,984	\$ 3,214	\$ 1,900
Number of times fixed charges earned	7.9	6.2	9.2	5.5	3.1

## SUBSIDIARIES OF THE REGISTRANT

Set forth below are certain subsidiaries of  
E. I. du Pont de Nemours and Company

Name	Organized Under Laws Of
1811324 Ontario Limited	Canada
Belco Technologies Corporation	Delaware
Coastal Training Technologies Corp.	Virginia
DPNL BV	The Netherlands
Du Pont (Australia) PTY LTD.	Australia
Du Pont Agricultural Chemicals Ltd., Shanghai	China
Du Pont de Nemours (Belgium) BVBA	Belgium
Du Pont de Nemours Development Sarl	Switzerland
Du Pont de Nemours Italiana S.r.l.	Italy
DuPont (China) Research & Development and Management Co., Ltd.	China
DuPont (Korea) Inc.	Korea
DuPont (Thailand) Limited	Thailand
DuPont (U.K.) Industrial Limited	United Kingdom
DuPont (U.K.) Limited	United Kingdom
DuPont Acquisition (Luxembourg) S.a.r.l.	Luxembourg
DuPont Acquisition, LLC	Delaware
DuPont Agricultural Caribe Industries, Ltd.	Bermuda
DuPont Apollo (Shenzhen) Limited	China
DuPont Argentina S.R.L.	Argentina
DuPont Asia Pacific Limited	Delaware
DuPont Asturias, S.L.	Spain
DuPont Belgium North America Finance Company	Belgium
DuPont Chemical and Energy Operations, Inc.	Delaware
DuPont China Holding Company Ltd.	China
DuPont China Limited	Hong Kong
DuPont Company (Singapore) Pte Ltd.	Singapore
DuPont Contern (Luxembourg) SARL	Luxembourg
DuPont Coordination Center N.V.	Belgium
DuPont DACI Beteiligungs-GmbH	Austria
DuPont de Nemours (Deutschland) GmbH	Germany
DuPont de Nemours (France) S.A.S.	France
DuPont de Nemours (Luxembourg) S.a.r.l.	Luxembourg
DuPont de Nemours (Nederland) B.V.	The Netherlands
DuPont de Nemours Groupe SAS	France
DuPont de Nemours International S.a.r.l.	Switzerland
DuPont Denmark Holding ApS	Denmark
DuPont Deutschland Holding GmbH & Co. KG	Germany
DuPont do Brasil S.A.	Brazil
DuPont Electronics Microcircuits Industries, Ltd.	Bermuda
DuPont Energy Company, LLC	Delaware
DuPont Global Operations, Inc.	Delaware
DuPont Iberica, S.L.	Spain
DuPont Industrial (Luxembourg) S.a r.l.	Luxembourg
DuPont Integration (Luxembourg) S.a.r.l	Luxembourg

DuPont International (Luxembourg) SCA	Luxembourg
DuPont International B.V.	The Netherlands
DuPont International Operations S.a r.l.	Switzerland
DuPont Kabushiki Kaisha	Japan
DuPont KGA B.V.	The Netherlands
DuPont Mexico S.A. de C.V.	Mexico
DuPont Nutrition Biosciences ApS	Denmark
DuPont Operations Worldwide, Inc.	Delaware
DuPont Operations, Inc.	Delaware
DuPont Science (Luxembourg) S.a r.l.	Luxembourg
DuPont Taiwan Limited	Taiwan
DuPont Technology (Luxembourg) S.a.r.l.	Luxembourg
DuPont Teijin Films China LTD.	Hong Kong
DuPont Trading (Shanghai) Co., Ltd.	China
E.I. DuPont Canada- Thetford Inc.	Canada
E.I. DuPont Canada Company	Canada
E.I. DuPont India Private Limited	India
EKC Technology, Inc.	California
FCC Acquisition Corporation	California
Hickory Holdings, Inc.	Delaware
MECS Inc.	Delaware
New Asia Holdco B.V.	The Netherlands
Pioneer Hi-Bred International, Inc.	Iowa
Solae L.L.C.	Delaware
DuPont Capital Management Corporation	Delaware
Du Pont China Ltd.(US)	Delaware
DuPont Specialty Products Kabushiki Kaisha	Japan
Du Pont Feedstocks Company	Delaware
Genencor International Holding B.V.	The Netherlands
DuPont Products (Luxembourg) SARL	Luxembourg
DuPont Eastern Europe BV	The Netherlands
Du Pont Far East, Inc.	Delaware
Du Pont de Nemours (Nederland) Holding B.V.	The Netherlands

Subsidiaries not listed would not, if considered in the aggregate as a single subsidiary, constitute a significant subsidiary.

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-195450); and Form S-8 (Nos. 333-114330, 333-129496, 333-147452, 333-150605, 333-164987, 333-164988, 333-164989, 333-172151, 333-195451, and 333-195452) of E.I. du Pont de Nemours and Company of our report dated February 2, 2017 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP  
Philadelphia, Pennsylvania  
February 2, 2017

## CERTIFICATIONS

I, Edward D. Breen, certify that:

1. I have reviewed this report on Form 10-K for the period ended December 31, 2016 of E. I. du Pont de Nemours and Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:

February 2, 2017

By:

/s/ Edward D. Breen

Edward D. Breen

*Chief Executive Officer and  
Chair of the Board*

## CERTIFICATIONS

I, Nicholas C. Fanandakis, certify that:

1. I have reviewed this report on Form 10-K for the period ended December 31, 2016 of E. I. du Pont de Nemours and Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 2, 2017

By: /s/ Nicholas C. Fanandakis

Nicholas C. Fanandakis

*Executive Vice President and  
Chief Financial Officer*



**Certification of CEO Pursuant to  
18 U.S.C. Section 1350,  
As Adopted Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of E. I. du Pont de Nemours and Company (the "Company") on Form 10-K for the period ending December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Edward D. Breen, as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Edward D. Breen

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Edward D. Breen

*Chief Executive Officer*

February 2, 2017

**Certification of CFO Pursuant to  
18 U.S.C. Section 1350,  
As Adopted Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of E. I. du Pont de Nemours and Company (the "Company") on Form 10-K for the period ending December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Nicholas C. Fanandakis, as Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Nicholas C. Fanandakis

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Nicholas C. Fanandakis

*Chief Financial Officer*

February 2, 2017